

Bogus debate Why there won't be

arry tax cuts



Russia's mafiya Jailbird gangsters and comrade criminals





Bulgaria

A force for stability

FINANCIAL TIMES

Efrope's Business Newspaper

Mitsubishi's \$2bn trust bank rescue breaks barriers

Mitsubishi Bank, one of the world's largest commercial banks, announced a rescue takeover of the troubled Nippon Trust Bank in a a move towards the consolidation of a Japanese banking sector crippled by bad debts. Mitsubishi will become the first Japanese city bank, or commercial bank, to operate a full trust bank subsidiary. It said it would buy Y200bn (\$2,04bn) of new shares, giving it a 68.8 per cent stake in Nippon Trust from November 10. It is already the second largest shareholder, with 5 per cent. Page 19

Hongkong Telecom in China deal: Hongkong Telecom has agreed in principle a \$300m investment to build networks in mainland China. The company will upgrade a cellular telephone network in Beijing and construct a 1,900-mile optical fibre cable system between the Chinese capital and Hong Kong. Page 7; Beijing battens down for tricky time ahead, Page 4; Canada plans for cable and telecoms freedom,

Portiilo backs British sovereignty



British employment sec-retary Michael Portillo (left) established himself as the unchallenged leader of the Conservative right as divisions over Europe at the top of the party were exposed again at its conference in Bournemouth. Mr Portillo launched a fierce attack on interference from Brussels and a pas-

sionate defence of British institutions and sovereignty, saying: "Sometimes you have to tell Brussels when to stop". Page 18; Samuel Brittan, Page 16; Observer, Page 17

UK inflation level lowest for 27 years: The underlying rate of inflation in the UK fell to its lowest level for at least 27 years in September. Unemployment also fell for the eighth consecutive month, bringing the numbers claiming benefit down to levcls last seen in 1991. Page 18 and Lex

Car sales rise in western Europe: West European new car sales rose by an estimated 3.8 per cent in September to 868,200 from 836,200 a year previously, according to the European Automobile Manufacturers Association, Page 2

Prudential seeks stake in Thal Insurer: Prodential, the UK's largest life insurance company, is holding talks about its first significant acquisition in the Asian insurance markets, a 24.9 per cent stake in Thai Sethakit Life Assurance.

Tokyo hits Hoechst for extra taxes: Hoechst Japan, a unit of the German pharmaceuticais company, paid the Tokyo regional tax bureau a total of Y4.4bn (\$44m) in additional taxes for allegedly transferring income taxable in Japan to Germany.

TWA mounts restructuring campaign: Trans World Airlines, US airline struggling to avert a financial crisis, started campaigning to win support for a sweeping financial restructuring that will nearly halve its debt. Page 22

Gardner Merchant 14% shead: Gardner Merchant, largest contract caterer in Europe, reported interim profits 14 per cent up at 26.9m. The group was bought by its management from Forte for £405m in 1992. Page 25

Bulgaria faces elections: Bulgarian president Zhelu Zhelyev is expected to dissolve parliament and call general elections within the next two months after Mr Dimiter Ludzhev, leader of the small New Choice party, failed to get parliamentary support for a new government. Bulgaria survey, Pages 11-13

Audi to expand in Hungary: Audi AG, executive car division of Volkswagen of Germany, is planning to invest DM730m (\$474m) over five years in a new engine manufacturing plant in Huncarv. Page 20

Amec sells Engil shareholding: Engineering and construction group Amec sold its stake in Engil, the Portuguese construction group, for F.S. 7bn (\$17.1m). The UK group joins other international constructors, including Bouygues of France, pulling out of joint ventures in Portugal.

Ruffled feathers: A Swiss army plan to disband its 77-year-old carrier pigeon service to save SFr-400,000 (\$312,500) a year met with strong opposi-tion from a group which plans to seek a referen-

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Allies split over Iraqi threat

By David Buchan in Paris, Mark Nicholson in Baghdad and Stewart Dalby in Kuwait

A rift opened between western allies yesterday over plans to contain the long-term military threat posed by Irag, as thousands more US troops arrived to bolster Kuwait's defences.

Senior US officials seeking to win allied backing for a military exclusion zone in southern Iraq were strongly rebuffed by France. Russia and China are also believed to be unenthusiastic about the US proposal.
In spite of Iraq's claims that it

had withdrawn all its forces from the border area, Mr Warren Christopher, US secretary of state, said in Kuwait yesterday that remaining troops still posed "an unmistakable threat". The US has refused to rule out a pre-

France attacks US proposal for military exclusion zone to protect Kuwaiti border

minister, said his government was opposed to an exclusion zone, while Mr François Léotard, defence minister, argued that there was "nothing illegal in the movement of Iraql forces inside Iraq". Iraq was not violating United Nations security council resolutions and Mr Léotard believed the deployment of US forces "was not unconnected to domestic politics".

However, he added: "We are demanding that Iraq recognise the international border with Kuwait," as laid down in UN resolutions. France was striking a "delicate" balance between recognising that Iraq had made some

Baghdad talks resolutions and being "intransi-gent" that Baghdad must in the end fulfil all such resolutions, Mr

Allies could impose new

Russian envoys start

curbs on lrag

Léotard claimed

Page 5

US officials have not yet made public their proposals for a military exclusion zone, but it is thought likely to mirror the "no-fly" zone south of the 32nd parallel beyond which Iraqi aircraft risk being attacked by allied forces. Mr John Deutch, US deputy defence secretary, said yes-terday: "There has to be an assurance that Saddam Hussein will not be in a position to threaten an attack again so easily in the future."

Mr Christopher arrived in Kuwait yesterday for talks with Mr Douglas Hurd, British foreign secretary, and the six-nation Gulf Co-operation Council. After the meeting, Mr Christopher said they stood shoulder-to-shoulder against Iraqi aggression and had agreed that the troop mobilisa-

tion should continue.

Almost 40,000 US troops are either in the Gulf or on their way there with another 155,000 on standby. Mr Christopher said the Gulf states had agreed to share the cost of the continuing deployment. Kuwait and Saudi Arabia, which paid out close to \$100hn during the Gulf war in 1990-91, are again likely to be the main regional contributors. Their contributions will impose further tributions will impose further strains on budget deficits.

Iraq remained adamant yester-

day that it would not accept UN demands to recognise Kuwait until economic sanctions were eased. "We are besieged and the people are starving," said Mr Saddi Mehdi Saleh, parliamentary speaker and a prominent member of the government. Recognise Kuwait? This is asking the impossible," he added.

Meanwhile, two senior Russian

envoys have arrived in Baghdad to try to defuse the crisis and may be followed today by Mr Andrei Kozyrev, Russia's foreign

Ex-Disney head joins Spielberg in new company

Three of the most powerful figures in Hollywood - Mr David Geffen, the billionaire music mogul, Mr Steven Spielberg, the Oscar-winning film director, and Mr Jeffrey Katzenberg, who recently resigned as head of Walt Disney's movie studio – are joining forces in a new entertain-

ment company.

The company, which will open early next year, aims to compete directly with the leading studios including Disney - by produc-ing movies, animated films, television programmes, music and interactive entertainment.

Mr Spielberg, director of some of the most commercially suc-cessful films ever made, including ET and Jurassic Park, said: This is a chance to do something that has not been done for 59 years since the last major movie studio was formed."

The three founders will own equal shares of the venture and will provide the initial funding. However, there was speculation among industry observers that they might soon seek external finance. Mr Tim Wallace, entertainment industry analyst at S.G. Warburg Securities in New York, said: "What will be really interesting is whether they team up with any of the telecommunication and computer commanies that now want to buy into Holly-

The news ends weeks of speculation about Mr Katzenberg's future since he left Disney in August. Mr Katzenberg, 43, played a pivotal part in Disney's success since the late 1980s, culminating in the release of The Lion King, its latest animated hit which has already grossed \$270m in the US alone.

Mr Katzenberg, dubbed the "Golden Retriever" for his nose for talent, quit after being passed over for the presidency. His partners are two of his closest, and wealthiest, friends. Mr Geffen, 51, made his first

million by the age of 25 and has since become a billionaire by investing the \$710m he made in 1990 from selling his record company's share of the MCA enter-

Continued on Page 18

emptive strike. Mr Alan Juppé, French foreign Yeltsin sacks acting finance chief Dubinin

By John Thombill in Moscow

President Boris Yeltsin yesterday sacked Mr Sergei Dubinin, Russia's acting finance minister, and demanded that parliament remove Mr Victor Gerashchenko, the central bank governor as he moved to defuse the political row over the collapse of the rouble, which has lost half of its dollar value in the past two months. Mr Yeltsin called the 21.5 per

cent plunge in the rouble on Tuesday a "threat to national security" and set up a commission, including the head of the federal counter-intelligence service, to investigate its

However, a rebellious parliament may not approve Mr Gerashchenko's removal when it votes on October 21. Parliament will also hold a vote of confidence on the government on the same day, and yesterday rejected Mr Yeltsin's veto on a law setting broad-based rules for passing next year's budget. Mr Yegor Gaidar, former prime

minister and leader of the Russia's Choice pro-reform party, warned that conservative opposi-tion forces might try to manipulate events to destabilise the political climate and seize power. Some senior economic policy officials believe that Tuesday's

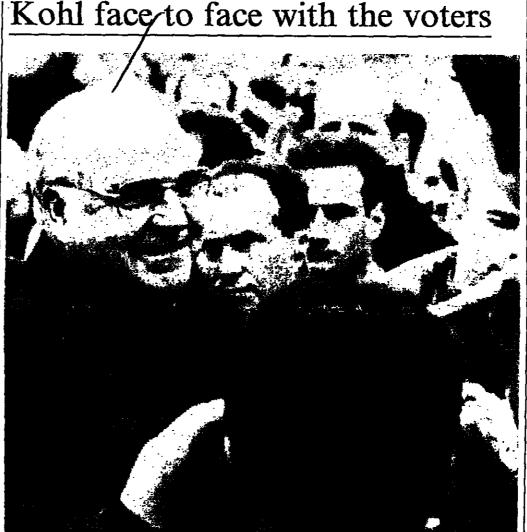
currency auction was rigged with the collusion of conservative ministers to discredit the economic reform process. Mr Victor Chernomyrdin, the prime minister, rushed back from his holiday in Sochi to discuss the economic crisis with his ministers. The rouble recovered ground yesterday, climbing from 3,926 against the dollar to 3,736.

Western economists in Moscow said the reform process had reached a critical juncture and suggested the government had to decide whether to tighten monetary policy and stop issuing cheap credits to industry and agriculture or revert to Sovietstyle central economic manage-

International financial institu-tions will view Mr Yeltsin's choice to replace Mr Dubinin as finance minister as an important indicator of the government's continued commitment to

The strongly pro-reform Mr Boris Fyodorov, the former finance minister who quit the government earlier this year, is a candidate, receiving support in parliament yesterday. But Mr Fyodorov said in London that he

Continued on Page 18 Editorial Comment, Page 17



German chancellor Helmut Kohl surrounded by voters in lenburg-Vorpommern ahead of Sunday's federal elections Tax promises, Page 2 Please Reuser

Brussels approves package to restructure Groupe Bull

By Emma Tucker in Brussels and John Ridding in Paris

The European Commission yesterday approved state aid totalling FFr11.1bn (\$2.1bn) for Groupe Bull, clearing the way for a rescue package for France's lossmaking computer group and its eventual privatisation. Mr Karel Van Miert, the compe-

tition commissioner, said the decision complied with EU guidelines on state aid for rescuing and restructuring companies, and that he was confident this would be a one-time, last-time payment.

The ruling will raise again the sensitive subject of state aid and the Commission's commitment to stop market distortions. However, the Bull case prompted less anger than a decision earlier this year to approve a capital injection of FFr20bn for Air France, the state-owned airline. The Commission said that none

of Brussels' 17 commissioners had opposed the payment. "Subsidies can have a positive effect on employment and competitiveness in Europe without damaging other business," the Commission

Rival computer groups

expressed resignation at the Commission's ruling. "We have always said that are against state observers believe NEC could aid because we want a level playing field," said ICL, the UK computer group controlled by Fujitsu of Japan. But the com-pany had not lobbied strongly in this case. "We have undertaken our own restructuring and are Mr Van Miert said he was satismuch further down the road than

Pressure grows for tighter state aid rules......Page 2

Bull," a spokesman said.

Mr Gérard Longuet, the French industry minister, welcomed the decision and said the government hoped to privatise Bull in coming

"The green light from the Commission is an important step in Bull's recovery," he said. A tender would be launched over the next few weeks for financial and industrial groups seeking to take shares in the computer com-

The company, along with its state shareholder, is already engaged in negotiations with potential partners. Bull yesterday

investors, although industry observers believe NEC could increase its 44 per cent stake in the French group. IBM, which holds 2.1 per cent of Bull's shares, has indicated it is reluctant to raise its invest-

fied Bull passed five key tests on which he based his decision to allow the aid to be paid. These were that: the company must be restored to profitability within a "reasonable" time; measures must be taken to offset any adverse effects on competitors; the aid must be kept to the strict minimum needed; the restructuring plan must be implemented in full; and there must be detailed reports to monitor

progress.

According to Bull, the restructuring measures, which include job cuts, the reduction of its Paris sites and the reorganisation of the company into separate profit centres, have already yielded results. In the first half of the year, losses were reduced to FFr843m compared with FFr1.98bn for the first half of

CONTENTS

Foreign Exchanges Equity Options . inti. Cap Mids ... Inti. Companies

"I'm arriving tonight and I have no time to pack. How much do I have to bring?"



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THE FINANCIAL TIMES LIMITED 1994 No 32,496 Week No 41

LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

Pressure grows on Brussels for tighter state aid rules

In the wake of the Bull case, the European Commission faces criticism for being too soft on subsidies, reports Emma Tucker

The European Commission's decision he believes to be high in the case of Bull.

But there is concern among some in the pay Bull, the ailing French computer group, FFr11bn (£1.32bn) of state aid, will again put Brussels' record on ensuring fair competition under a critical spot-

It comes only three months after the commission allowed a vast capital injection of FFr20bn of state funds to the bankrupt Air France and, while the Commission argues that this latest case is different, this is bound to fuel criticism of

Brussels' approach to state aids.

Mr Karel Van Miert, the competition commissioner, has always argued - realistically - that decisions on state aid cannot be taken in a vacuum. He takes the view that political and social factors have to be considered, as well as the likelihood of returning an enterprise to viability, which

But there is concern among some in the commission, and certainly within industry that the commission is treading too softly, and that member states have become adept at getting their own way.

Following the succession of high-profile airline cases over the summer - handled by the transport directorate and not Mr Van Miert's competition directorate pressure is growing for a change in the procedures for assessing state aids.

"At the moment we have a very heavy administrative system but with results that are not very convincing," said a com-mission official. "Industry is complaining about the lack of neutrality and transparency, the length of procedures, and the distorting effects of sectoral agreements covering areas such as textiles, synthetic

A paper produced last month by the commission's industry directorate identified the need to tighten up procedures. Since the removal of internal frontiers

(within the European Union), the risks of dominant positions and the distortions caused by state aid - which remain too great - are growing appreciably," it said. One of the main problems identified in the paper was the need to make existing procedures more efficient and more trans-

This theme was also taken up by the Confederation of British Industry in a pamphlet entitled Controlling State Aid. It argued that deadlines need to be set for the formal examination of state aid cases.

"The five years that passed before action was taken and decisions were reached in the Ilva Italian steel case was quite unacceptable," it says.

It also argued that recovery procedures for illegal aid needed to be tightened, cit-ing the case of a Belgian textiles company which, eight years after a state aid payment had been found illegal by the European court of justice, had still not paid back the money.

On transparency, the CBI points out that at present it is difficult for interested third parties to contribute information or views at an early stage when the commission is considering whether there is in principle a case to answer.

The industry directorate says the same: "Third parties are not as involved in procedures as they are, for example, in merger cases. There should be more con-

Mr Nick Forwood QC, who specialises in state aid cases says: "Procedurally, it is still very much in the hands of the com-

missioners to decide what is in the interests of the community. The majority tend to perceive cases not in terms of competition, but more in terms of specific inter-The second problem is that regional

exemptions and industry agreements allow some state aid to go unchallenged. "The instruction of state aid files is not neutral because you have a combination of sectoral and horizontal frameworks which lead to different treatments for different industries without any real justification," said an official from the competition direc-

"It seems to me that big investments made in regions where the levels of sub-sidy allowed are very high, have probably resulted in distortions of competition," said another official.

Similarly distorting are industry agree-

ments covering sectors such as textiles synthetic fibres and cars introduced originally for economic or serious structural reasons. "These are the result of special situations," said a commission official "but they then seem to be kept for ever."

All these points are currently the subject of discussion in the industry and competition directorates but it is unclear yet whether new proposals will be put to the

However, there is no denying that governments are getting better at presenting their cases on state aid in a way that allows them to "get around" Brussels. With the rate of negative decisions on state aids last year only 1.05 per cent, there is scope for the commission to tighten procedures and close some of the

WEST EUROPEAN NEW CAR REGISTRATIONS January-September 1994									
	Volume (Units)	Volume Change(%)	Share (%) Jan-Sept' 9	Share (%) 4 Jan-Sept' 9					
TOTAL MARKET	9,252,300	+5.0	100.0	100.0					
MANUFACTURERS:									
Volkswagen group	1,474,900	+2.7	15.9	16.3					
- Volkswagen	953,600	+0.4	10.3	10,8					
- Seat	240,700	+17.4	2.6	2,3					
– Audi	235.100	-2.5	2.5	2.7					
- Skoda"	45,400	+10.6	0.5	0.5					
General Motors#	1,196,000	+3.7	129	13.1					
- Opel/Vauxhati	1,141,900	+3.2	12.3	12,6					
- Saab	38.800	+27.7	0.4	0.3					
PSA Paugeot Citroen	1,180,800	+11.0	12.8	12.1					
- Peugeot	710,300	+9.7	7.7	7.3					
- Crtroen	470,500	+13.0	5.1	4,7					
Ford group#	1,114,100	+7.2	12.0	11,8					
- Ford	1,104,300	+7.2	12.0	11.7					
- Jaguar	7,800	-10.4	0.1	0.1					
Renault	1.000.700	+7.9	10.8	10.5					
Fiat group##	979,400	+3.7	10.6	10,7					
- Fiat	768,100	+8.3	8.3	8.0					
- Lancia	123,500	-6.7	1.3	1.5					
- Alfa Romeo	77,600	-15.9	8.0	1.0					
BMW group	607,000	+6.9	6.6	6,4					
- Rover	305.900	+9.0	3.3	3.2					
- BMW	301,100	+4.8	3.3	3.3					
Mercedes-Beriz	335,500	+29.3	3.6	2.9					
Missan	306.200	-3.3	3.3	3.6					
l'oyota	244,200	-4.2	2.6	2.9					
Volvo	155,200	+20.0	1.7	1.5					
Vlazda	141.000	-9.9	1.5	1.8					
londa	133,900	+5.4	1.4	1.4					
Mitsubishi	92,500	-18.0	1.0	1.3					
Suzzaki	59,000	-22.3	0.6	0.9					
Total Japanese	1,028,300	-7.2	11.1	12.6					
MARKETS:									
Germany	2.462.400	-0.8	26.6	28.2					
Jnited Kingdom	1,588,300	+9.5	17.2	16.5					
rance	1,434,200	+14.4	15.5	14.2					
baly	1.271.400	-7.5	13.7	15.6					
Spein	682,800	+21.0	7.4	6.4					

W Europe car sales up 3.8% in September

By Kevin Done, Motor Industry Correspondent

West European new car sales rose by an estimated 3.8 per cent in September to 868,200 from 836,200 a year ago, according to provisional figures from Acea, the European Automobile Manufacturers Association, released yesterday.

The pace of the recovery has slowed in the past three months chiefly because of the weakness of the German new car market, where sales are estimated to have fallen last month by 4 per cent year-onvear to 245,400.

In the first nine months new car sales in west Europe have risen by 5 per cent year-on-year to 9.25m, a modest recovery following a decline of more than 15 per cent in

Sales have risen strongly in France. Spain and Scandinavia, but have declined in both Germany and Italy. New car sales in September declined in seven of 17 markets across west Europe compared with falls in five markets in the first nine months.

Most significantly, a change in the system for reporting new car sales in Italy has revealed that previous Italian data had exaggerated the size of the domestic market by around 200,000 cars a year. The previous use of figures for wholesale deliveries to dealers rather than domestic regis-

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tration figures has distorted the size of the market by including the high volume of cars being re-exported from Italy to neighbouring coun-

Car prices in Italy are among the lowest in Europe following the devaluation of the lira. The biggest impact of the

new reporting system, which uses registration figures from the Italian Ministry of Transport, is on the Flat group. The (talian carmaker, which controls around 45 per cent of

the Italian market, has now been relegated to sixth place in the west European market behind Renault of France. At the end of the 1980s Fiat was challenging the Volkswa-

gen group for leadership of the west European market, but the sharp decline in its fortunes along with the fall in the Italian market mean it now has the smallest market share of any of the big six carmakers. According to the revised

Acea figures its share slipped to only 10.6 per cent in the first nine months compared with the 10.8 per cent of Renault in fifth place and the 15.9 per cent of the VW group, the leader of the west European market.



Fyodorov in London yesterday: "drifting mediocrity" from Yeltsin

Economic reform from Yeltsin needs a miracle, says Fyodorov

By Chrystia Freeland

Mr Boris Fyodorov, a former minister of finance and a long-standing critic of the present administration, yesterday said that "without some sort of miracle" President Boris Yeltsin's government was unlikely to undertake comprehensive economic reforms

Some Russian ministers have suggested that this week's dramatic collapse of the rouble a de the dreiude to a : lisation programme, but Mr Fyodorov, a leading proponent of market reforms before he left the cabinet, disagreed.

"I think with the current government, all we can expect is a scenario of drifting mediocrity," Mr Fyodorov said. "I doubt whether there will be real reforms, whether real stabilisation will begin."

On these grounds, Mr Fyodorov, who has served as Russian representative to the World Bank, urged western countries

tions not to extend further credits to Russia.

"Who needs the money?" Mr Fyodorov, one of Russia's most respected economists, asked We have more money in Russia than in some western countries." Arguing that Russia is hobbled by a lack of political will rather than of capital, Mr Fyodorov said that by giving financial assistance to Mr Yeltsin's government, the west was in its dealings with the Gorbachev administration.

"It is like the late Gorbachev

period, when everyone was throwing money at him to no purpose," Mr Fyodorov said. You are supporting a person and forgetting the country.'

As a long-time backer of radical market reforms, Mr Fyodoroy has been a frequent critic of Mr Viktor Gerashchenko. central bank governor, whom President Boris Yeltsin sought to oust vesterday. But Mr Fvo-

and western financial institu- dorov dismissed Mr Yeltsin's other people were trying to move as "a search for scape-

"The problem is not with Gerashchenko or with Dubinin [Mr Sergei Dubinin, the acting minister of finance who was sacked yesterday]," Mr Fyodorov said. "The question is whether there will be a reconsideration of the government's

"I think Mr Gerashchenko is the best survivor, I don't ieve he will be Mr Fyodorov said. While he is dubious about the chances the current gov-

ernment will be converted to radical market reforms, he suspects members of the administration have learned the principle of taking care of oneself. Like other senior Russian politicians. Mr Fyodorov suspects significant insider trading took place when the rouble collapsed on Tuesday. "Some people may have been trying to

help the budget," he said. "But

help themselves ... I think many people may be planning to leave the government soon." Mr Fyodorov also rejected

the argument that the collapse in the rouble may help the economy by making Russian exports more competitive. "The rouble is undervalued now, and it was undervalued two weeks ago (before the recent collapse)," he said. "Its ridiculous when you have the Russia that looks like the balance sheet of Barclays or Nat-

But, notwithstanding his nessimistic outlook on Russian central government policy. Mr Fyodorov was confident that foreign investment would continue to flow into Russian industries with export capacity. Foreign investors were interested primarily in natural resources and in infrastructure, such as telecommunica-

Moscow's star wanes along with the rouble

John Lloyd measures reaction in Vladivostock to the currency's fall

The dollar was selling at 4,000 roubles in Vladivostock's banks yesterday and it cost Rbs4,300 to buy. At one point, it had a street price of 7.000, as rumours spread that Dialog Bank in Moscow had pushed the rate down to over 6,000, but there were few takers. Russia's Far Eastern port

semi-detached from a capital eight time zones away across the Siberian tundra, reacts more nervously even than Moscow to falls in the currency. Its surface glitter is buoyed by trade - over 80 per cent of the cars are secondhand Japanese imports and the dowdy shops offer a profusion of Japanese, South Korean, Australian and US

Mr Sergei Frank, vice president of the 160-vessel, Far East Shipping Company - the star stock on Vladivostock's active little stock exchange says: "It's good and bad. Good because we are paid largely in dollars and our costs are largely in roubles, so we have just had a 30 per cent cut in our cost structure. But bad because it will hit imports and thus our trade: and it means continuing instability. We had forecast the rate of Rbs3.000-3.500 to the dollar by the end of the year, based on forecasts. We pay Rbs6bn a year in taxes for this for the politicians in Moscow not doing their job."

Other comments reflected this ambiguous reaction. Mr Andrei Malyutin, deputy head of the stock exchange, said: "This will be good for the exchange, especially for foreign investors. It will mean stocks here are even cheaner." Mr Andrew Fox, a Briton whose Pacific Gemini company is the sole foreign company



allowed Vladivostock's developing market, said: "A New York investor described the Russian market now as a 'lolly grab'.

the lolly grab." However, Mr Nikolai Pimenov, the first deputy governor of the region responsible for its economy and thus for the economic well-being of the more than three million citizens - was more gloomy. "It's just awful. All imports will cost 30 per cent more and our standard of living depends so much on imports because people don't buy Russian goods. A third the price of a Russian Lada and there's no comparison in quality. Besides this must mean a rise in inflation."

The Far Eastern region has been flirting with thoughts of becoming an autonomous republic and, though serious opinion discounts the possibility, Moscow's failure to hold the currency played into the grievances of a peripheral nation which is testing its

German dentists bare their teeth in funding row

By Michael Lindemann in Bonn

Germany's dentists yesterday threatened to stop treating routine cases in a row over fund-

The KZBV, an organisation which represents two-thirds of Germany's 70.000 dentists, said its members would only handle emergencies because they had treated more patients than expected this year and would probably exceed their DM10.5bn budget for 1994. So far only patients have said Ms Annelies Klug, the

newspapers, days before the Germans elect a new government However, whatever political

ing to make may have mis-Politicians of all persuasions lambasted them for insensitivity. "The dentists seem to think that the last week before the election is a good point to

been turned away but the news health ministry spokeswoman. for more far-fetched wishes. still made headlines in most "It seems they have been There is even provision for "It seems they have been rather mistaken The dentists' threats are

another in a long line of outbursts from various medical capital the dentists were hoplobbies beginning to feel the pinch of the German health The system has become

world famous for its generosity. Everyone who is insured is, for instance, entitled to a spa trip, almost free of charge, once every three years.

There is even provision for women who find their chest size disturbs them. If they can produce a letter from a psychologist which provides evidence of psychological distress due to breast size then whatever treatment is necessary can be charged to the Kranken-

funds. "People have ideas in this country about what they are entitled to which are simply

kassen, or health insurance

Medeco clinic in Bonn. "They've simply been incorrectly educated." Now, as the country pulls

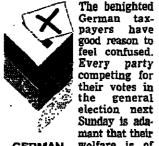
out of its worst post-war recession there is a growing realisation that health insurance on this scale can no longer be The dental budget was one of

the first symptoms of this new thinking, introduced for the first time last year when it became clear that the system was heading for a DM10bn

Simonsmeier, a dentist at the (£4bn) deficit, according to Ms

However, many dentists warned yesterday they would be unable to work with budgets in the long run and that patients would simply have to pay for anything on top of the most basic treatment. "The all-or-nothing principle on which health insurance is based in this country is going to have to be reviewed." said KZBV spokesman.

Voters find their imaginations taxed by spending plans



mant that their GERMAN Welfare is of ELECTIONS paramount October 16 Yet the one importance. certainty facing every taxpayer is that next year their bills will

If the present government is re-elected, they know they will have to pay a swingeing "solidarity surcharge" of an extra 7.5 per cent on income tax to finance the soaring costs of German unification and the resulting debt burden. They have already had to pay a sharp increase in oil taxes this year, and there will be another increase in insurance taxation.

property taxation and a new social security charge to pay for nursing care insurance from January.

In the past four years, since the general election in 1990. Chancellor Helmut Kohl's liberal-conservative coalition has raised the revenues from taxation and social insurance by DM116bn (£47.5bn) to a record DM750bn. The exchequer has been hit

not only by the costs of unification, with massive transfers from West to east of around DM150bn a year to pay for unemployment benefit, pensions, subsidising local government, and a huge investment in new infrastructure. Its tax revenues have been simultaneously squeezed by the sharp recession in the German economy over the past two years. And it now faces an accumulated debt burden which is absorbing 24 per cent of available tax revenues each year in

interest payments alone. The resulting series of sharp tax rises is what Mr Oskar Lafontaine, the finance-minis-

ter-in-waiting of Germany's opposition Social Democratic party (SPD), describes as "the great tax lie". For Mr Kohl and his Christian Democratic Union (CDU) had promised that German unification could be financed without any tax increases at all.

Mr Lafontaine and his party leader, Mr Rudolf Scharping, have deliberately raised the issue of taxation to the top of the election agenda in an effort to persuade the voters that they will be more responsible with the public purse than Mr Kohl and his finance minister, Mr Theo WaigeL

They describe their own plans modestly as "the biggest tax-cutting programme for normal income earners and families in the history of the federal republic".

burden from the lower-paid to the wealthy, without any overall increase in the tax take of the state. They would scrap the plans for a 7.5 per cent "solidarity surcharge" and replace allowances. And from 1996, it with a 10 per cent charge on they would raise the income



Finance minister Theo Waigel portrayed as Pinocchio with his .bleak, the government would campaign pledge of 'No tax increases'

Their aim is to shift the tax the top one in five income-

earners. They would raise monthly cash payments for each child in a family to DM250, instead of the present system of tax

tax threshold to a new "subsistence level" of DM13,000.

For a party traditionally associated with high taxation, and high welfare payments, it is a gamble. And the indications are that in spite of the

government's sorry record, it

adamant that the other's figures do not add up. They are probably both right.

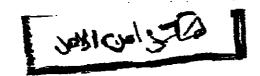
For a start, Mr Lafontaine and his allies accuse Mr Waigel of cooking his budget books, with secret plans for further increases in value-added tax and oil tax in the pipeline. The government has promised to take further action next year to reduce taxation on the business sector, as part of its drive to make German industry more internationally competitive. But Mr Waigel refuses to say how he will finance the new deal. He simply denies that he has any plans to increase VAT.

We fear that the facts are so rather say nothing until the election is over," says Mr Heri-bert Juchems, chief executive of the association of indepen-

dent entrepreneurs. As for the opposition, Mr Waigel maintains that in replacing the solidarity surcharge alone, Mr Lafontaine will be creating a financing gap of same revenue as the government's 7.5 per cent tax increase, he will have to levy his 10 per cent charge on all incomes over DM44,000 a year. the finance ministry maintains. And that means hitting a large number of average income-earners, rather than simply the relatively wealthy

The irony is that in seeking to be as precise as possible in spelling out his tax plans, and by insisting that he will not raise the government's net borrowing requirement, Mr Lafon taine appears to have frightened off as many voters as he has attracted. Both sides know that the pressures on the public purse can only get worse in the coming years.

Social spending in particular is in urgent need of reform because of the growing num. bers of old people and the young, in relation to the working population. That will be the greatest challenge for the next German government. The taxpayer only knows it will



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EUROPEAN NEWS DIGEST

Delors refuses to reveal plans

Mr Jacques Delors, the outgoing European Commission president, said in an interview yesterday with the newspaper, Libération, that he would make no decision on whether to run for the French presidency until his Brussels mandate ended on

This announcement came as an opinon poll for the first time put him level with the prime minister, Mr Edouard Balladur, in the crucial run-off vote for the presidency, while easily outdistancing the other Gaullist contender, Mr Jacques Chirac. The Socialist party is holding a full party congress next month and then a mini-convention in December specifically to discuss what sort of platform in the content of t discuss what sort of platform it would like a candidate to run on in May, However, few in the Socialist party would complain if Mr Delors were subsequently to bend that platform to suit himself. In the current presidential "phoney war" no mainstream contender wants to make his candidacy formal and thus open to attack from all rivals. Mr Delors' asset at the moment is the caction protection of the caction of the caction protection of the caction of the caction protection of the caction of the cac moment is the cast-iron pretext for silence that his Commis-sion presidency gives him until January. David Buchon, Paris

Russian defence budget \$79bn

Russian defence spending is much higher in real terms than previously estimated, according to new calculations released yesterday by the International Institute of Strategic Studies. The 1994-95 edition of The Military Balance, the London-based think-tank's authoritative annual survey of the armed forces and manager theories they would account that "Provides and weapons throughout the world, asserts that "Russian defence budgets have been effectively static in real terms" since 1992, "with perhaps a small increase in 1994". This contradicts assessments of real decline in defence budgets based on the evidence of GDP decline in official statistics estimates which have been "cautiously supported" by the international Monetary Fund. The institute has roughly doubled its previous estimates for the 1992 and 1993 Russian defence budgets to \$74.6bn (£47.2bn) and \$76.6bn, from \$39.7bn and \$29.1bn respectively, by using a new measure of purchasing-power parity. For 1994, it gives a figure of \$79.0bn, adding that "since the defence budget does not cover all military-related activities, this estimate represents the low end of a range of possible expenditures". But even this low estimate makes Russian military expenditure "in real terms substantially higher than that of any country apart from the US", whose 1994 defence outlay is, however, more than three times as high (\$280bn). Edward Mortimer, London

Berlin-Moscow road-rail deal

Work on upgrading road and rail links along a 1,800km corridor between Berlin and Moscow is to be co-ordinated by the European Commission and the four governments involved under an agreement reached this week. Delegations from Germany, Poland, Belarus, Russia and the Commission have signed a memorandum of understanding intended to ensure that European Union support is properly targeted and to encourage private sector involvement. The proposal to improve roads and railways and build better border crossing points could cost between Ecus.4bn (\$4.2bn) and Ecu9bn and has already attracted considerable interest from banks, the Commission said. Priority projects in the scheme are road and rail links between the German border and Warsaw, the railway between Warsaw and the Polish/Belarus border and the border crossing between Poland and Belarus, where the railway guage changes and long delays occur. Work has already begun on some parts of the corridor, but some parts of the scheme will not be completed before 2010. Charles Batchelor.

Brussels seeks to validate pact

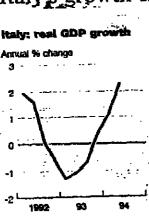
The European Commission has asked the Council of Ministers to give its approval to a three-year-old anti-trust agreement between the EU and the US government, after the European Court of Justice ruled it was void. The agreement, designed to promote co-operation between competition authorities in the US and the EU, was recently used to modify certain practices by the US computer group, Microsoft, after both parties agreed that these violated competition law. Originally concluded by the Commission, the court ruled in the summer that the agreement was void, as it should have been concluded by the Council of Ministers. France, backed by Spain and the Netherlands, launched the court action, arguing that for an international agreement signed with another government, it was not the Commission's place to represent the EU, but rather a matter for the member states. The European Court is also considering whether the Commission or member states have the power to negotiate in certain trade areas - such as transport, services, and intellectual property rights. The out-come of this case should allow EU ratification of the Uruguay Round trade treaty before the end of the year. Emma Tucker,

European aeronautics accord

Seven European aeronautics research establishments have signed an association agreement to strengthen Europe's aeronautical technology base, the European Commission announced. The agreement contains an action plan for either civil or military uses, aiming to develop and execute joint research programmes and technology acquisition projects, to rationalise resources by co-ordinating use and invastment in major facilities for common European needs, and to exchange qualified personnel, it said. Mr Antonio Ruberti, research and development commissioner, said the establishments should now join in aeronautical research supported by EU technology grants. The seven are Centro Italiano Ricerche Aerospaziali of Italy, Deutsche Forschungsanstalt für Luftund Raumfahrt of Germany, Definite Poisintains and Difference Research Agency of the UK, Flygtekniska Forsoksanstalten of Sweden, Instituto Nacional de Tecnica Aerospacial of Spain, Nationaal Luchten Ruimtevaartiaboratorium of the Netherlands, and Office National d'Etudes et de Recherches Aérospatiales of France. AFX, Brussels

ECONOMIC WATCH

Italy's growth exceeds forecasts



The Italian economy grew at 2.3 per cent during the second quarter, confirming the strength of its broad-based recovery. The figures, published yesterday by Istat, the official statistics institute, compare with a first quarter GDP growth of only 1.5 per cent. The change of pace between the two quarters is the fastest in the EU, and sugests the macroeconomic projections in the document accompanying the 1995 budget are understated. The document forecasts growth will reach 2.7 per cent next year and 2.8 per cent in 1997. It is

also counting on 3.5 per cent inflation this year and 2.5 per cent next year, but the trend of August and September prices makes this look unrealistic. The accelerated growth is attributed to the return of domestic demand. Since late last year the recovery has been exclusively export driven. Robert Gra-

The continued weakness of French inflationary pressures was demonstrated yesterday by the announcement that the annualised rate of inflation in September slipped to 1.6 per cent, compared with 1.7 per cent in August. The figures were based on a 0.3 per cent increase in consumer prices in Septemher, compared with a 0.4 per cent increase in the same month last year. The French government is forecasting an inflation rate of about 1.8 per cent by the end of this year and a rate of 1.9 per cent in 1995. John Ridding. Paris

Serbs await 'Slobo' v 'Rado' contest

Serbia's President Milosevic is gambling on an early victory, write Bruce Clark and James Whittington

alf a century ago, the founder of modern Yugoslavia, Marshal Tito, astonished the world by breaking with Moscow and turning the apparatus of Stalinist repression against his comrades who remained loyal to the Soviet dictator. Now Serblan President Slobodan Milosevic, the most formidable politician to emerge from the ruins of Tito's state, is attempting a political conjuring trick that is

equally audacious. Having built a large follow-ing, and an iron grip on the reins of government, by playing the nationalist card, Mr Milosevic has changed tack and is now staking his future on reconciliation with the other ex-Yugoslav republics and the world.

The president, who once seemed to enjoy the role of international pariah, is now basking in the approval he won by accepting a partition plan for Bosnia and severing most links with his kinsmen there. Pro-Milosevic politicians and journalists who formerly trumpeted the slogan of a Greater Serbia have adjusted rapidly to the new dogma - it was never feasible to unite all Serbs in a single state.

Professor Mihajlo Narkovic. an ideologue of the president's nationalist movement, now

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says it was "too optimistic" ever to suppose that the Serb minorities in the other Yugoslav republics could assert the rights to self-determination.

in the new atmosphere, few would be surprised if the president were to recognise the government of Croatia - even at the price of surrendering some of the Croat territories now under Serb control.

The president's transformation has placed him on a collision course with the Serbs' other political strongman: Mr Radovan Karadzic, the Bos-nian-Serb leader, who opposes the peace plan and has virtu-ally been abandoned - at least for now - by his erstwhile pro-tectors in Belgrade.

The immediate cause of this

rift is the plan, which would force the Bosnian-Serbs to surrender a third of the territory they control; but there is also personal antipathy between the two men, and rivalry for moral leadership of the Serbs. Mr Karadzic, who was por-irayed previously in Belgrade as the defender of an embattled community, has been frozen out by the city's officially-guided, pro-Milosevic media. One of Belgrade's toughest

nationalist politicians, Mr Vojislav Shefhel, has been arrested, and there have been several compulsory retire-



COLUMN SON ments in the upper ranks of the army, where senior officers have close links with Bosnian-

Bosmian Serb

Serb commanders. All these moves should shore up Mr Milosevic in his new role of conciliator. But he is still taking a big gamble.

If he succeeds, he could be held up as the man who guided the Serbs back into the Euro-pean mainstream. If he fails, he could be branded as a cynic who sacrificed his fellow Serbs

In Pale, the straggling village

in Bosnia and Croatia.

MONTENEGRÖ.

which is "capital" of the Bos-nian Serb republic, there is bit-politics of the Serb community terness and disbelief at the community's apparent aban-donment by Belgrade. So far, there is a reluctance among Pale's residents to blame Mr Milosevic personally.

"The Americans were putting pressure on Milosevic and he could not continue the back-up," says Mr Slavisha Rakovic, one of the 250 govern-ment officials who rub shoul-ders with soldiers, peasants and farm animals on the narrow streets of Pale.

Officially, the Bosnian Serbs are preparing a self-sufficiency plan which will enable them to fight without Belgrade's help. But privately, they acknowledge this is impossible. "Let's be honest, we can't survive without Serbia," said one official in Pale.

Since Mr Milosevic closed the border with Bosnia, the crisis in Bosnian-Serb territory has risen, and the shops look bare. There is only a handful of vehicles on the road, and ironically, people rely on Croat smugglers for fuel. Yet so far, the plight of the Bosnian Serbs is not doing much damage to the standing of Mr Milosevic, because his control of the Belgrade media helps keep this issue out of the public eye.

Mr Milosevic is also widely in Croatia, hoping to remove obstacles to a reconciliation

with Zagreb. One of the trump cards of Mr Karadzic is that he controls supply lines between Belgrade and many Serb-controlled towns in Croatia. But he loses this advantage if Mr Milosevic makes peace with Zagreb.

Critics of Mr Milosevic insist that he will pay a heavy price for abandoning his kinsmen in Bosnia and Croatia. "Milosevic does not have support for his new policy...most people are against the embargo on the Bosnian-Serbs," says Mr Vajisrav Kostunica, a nationalist politician in Belgrade. He sees the church and the army as forces of resistance to the new policies of Mr Milosevic, whose power base is strongest in the

Mr Kostunica warned that the army already had reason not to be satisfied, including the fact that the police had been treated better than them. He thinks Mr Milosevic is afraid to call an election. Yet ultimately, the president's best hopes may lie in the deferen-tial attitude of many Serbian voters, who have succumbed to his propaganda before and may be persuaded that whatever "Slobo" says, goes.

HOW WALES PROVIDES



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Israeli kidnap puts peace in jeopardy

By a Correspondent

The delicate process of tion was facing its gravest test last night, in a crisis over the kidnapping by Hamas extremists of an Israeli soldier.

Israel's prime minister, Mr Yitzhak Rabin, made clear that he was holding Mr Yassir Arafat, the PLO chairman, personally responsible for the fate of 19-year-old Nachshon Waxman. The soldier was kidnapped close to Israel's Ben-Gurion airport outside Tel Aviv on Sunday, and is believed by Israel to be held in the Palestinian autonomous area of the Gaza

kidnappers, who announced on Tuesday they were holding Mr Waxman, have said they will kill him tomorrow unless Israel prisoners, including the Hamas leader Sheikh Ahmad Yassin.

The crisis marks a moment of truth in the Israel-Palestinian autonomy process, with Hamas clearly seeking to derail the peace accords, undermine Mr Arafat's authority in the occupied territories,

Rabin government. Adamantly opposed to any accommodation with Israel,

Hamas already appears to have achieved at least some of its Israel has suspended its negotiations in Cairo with the

PLO on the next stages of the autonomy process, and fuelled further discontent among Gaza's Palestinian labour force hy clamping a closure order on the Strip that prevents workers Mr Rabin and Mr Arafat are

reportedly to be named as the joint recipients of this year's Nobel Peace Prize tomorrow, in recognition of their efforts to resolve the decades-old Israeli-Palestinian conflict. Mr Rabin spoke several

times by telephone to Mr Ara-fat yesterday, noting that he considered the PLO's leader's authority in Gaza to be responsible for the safe return of the soldier, urging him to institute searches, and telling him that he regarded the crisis as a "true test" of Israeli-Palestinian relations.

Israeli ministers indicated that, were the crisis to end in



Scuffle between Palestinians put under detention in the Gaza strip yesterday by Israelis Jerusalem on Sunday, during which two people were killed and more than a dozen injured

before the gunmen were them-

Yesterday, the kidnappers

released a video showing Mr Waxman, who holds dual US-

Israeli citizenship and who was

drafted into the army six

months ago, pleading for his

Looking dazed but con-

trolled, the close-cropped, uni-

formed soldier urged the Rabin

government to meet his cap-tors' demands. "I ask you, do

what you can, so that I can get

out of here alive," he said in

could be serious consequences for the future of the autonomy process. "If the autonomous areas turn into a shelter for murders," said Mr Amnon Rubinstein, education minister, "Israel cannot be expected to expand those areas.

Mr Arafat condemned the kidnapping and held a rare meeting with Hamas leaders. But several of his spokesmen issued statements denvine that the soldier was being held in

Responsibility for Mr Waxman's kidnapping has been claimed by the military wing of Hamas, which also took credit

Publicly, Israeli officials have ruled out any capitulation to the kidnappers. But experience suggests that there might be some willingness to

Mr Nabil Sha'ath, head of the PLO delegation to the suspended autonomy talks in Cairo, said last night that it was "unfair" of Israel to have broken off the negotiations. and Israel was playing into the hands of extremists.

Israeli officials made clear that the talks, focusing on aspects of planned Palestinian

Beijing battens down for tricky time ahead

Rumours are feeding anxiety, writes Tony Walker

Bautumn days, conveys an impression of orderliness with the usual parade of visiting dignitaries shuffling through the Great Hall of the People.

Chinese leaders conspicuously conducting business as normal, receiving visitors, holding meetings, embarking on overseas trips, exhorting the masses to greater endeavour, while steadfastly avoiding in public the issue of the day - the failing health of the senior leader, Deng Xiaoping.

Beneath the apparent calm the mood in the capital and in other centres is skittish. Speculation is intense about the condition of Mr Deng, which is said to have worsened considerably since mid-year. Among indications of the high degree of anxiety were

the wild gyrations last week of the Shanghai stock exchange, where the index plummeted by 40 per cent before recovering most of the lost ground on Friday, after the Foreign Ministry issued a statement to the effect the Chinese

patriarch was in "good health". While this routine bulletin calmed the markets momentarily, it will not stop the endless rumours which clearly have become a factor in Chinese political life, complicating a smooth transition from one generation of leaders to the next.

Inevitably pronouncements, personnel changes and even the vaguest utterances by the leadership are being viewed through the prism of what they mean for the post-Deng era. A political transformation has been under way for some time, but it is accelerating as the moment for Mr Deng's demise draws

Thus, the recent fourth plenary session of the 14th Central Committee was notable not for any significant new initiatives, but for the impression given that the ruling party was seeking to batten down the hatches in preparation for what promises to be a difficult time ahead.



The plenum resolution. Major Issues on Strengthening Building, hardly Party smacked of self-confidence at an uncertain moment. The concerns expressed indicated deep misgivings about the state of the organisation and its 54m members.

"The Party", the plenum document stated, "must be capable of re-organising, enhancing and upgrading itself under the new situation of reform and opening-up, and conscientiously study and solve the new contradictions that crop up during its self-building

While the resolution made the required references to ideology, these lacked conviction. The document also provided no sense that the party had decided the time was ripe to strike out in new political directions to cope with the momentous economic and social changes under way.

Chinese leaders may be seeking to convey the impression that it is "business as usual" in Beijing by continuing to engage in a welter of high-profile diplomatic activity, but it seems the reform momentum is slowing for the time being. pending Mr Deng's departure

from the scene. Observers were surprised that the party plenum failed to address economic questions.

suggesting this indicated

divisions in the leadership on issues such as the pace of

reform of faltering state

Shanghal A Index

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Worries about inflation, which has been running at about 30 per cent in the cities, are casting something of a pall over the reform effort.

The strange "end of an era mood in Beijing was exemplified last week with the convening of a four-day symposium marking the 2.545th anniversary of the birth of Confucius, the sage vilified during the Cultural Revolution of the 1960s and 1970s as the patron of a "slave-owning" aristocracy.

Now, Confucius is being hailed by the Chinese media as an exemplar of the standards to which society should aspire. Even People's Daily, the party newspaper and leader in its day of the campaign to excoriate Confucius, joined the

Commending Confucian values of filial plety and altruism, the paper warned that "money worship" was eroding the values of society, and morality had "lost its sacred meaning

It is perhaps revealing of present uncertainties that as Mr Deng, veteran communist and father of a modernising state, shuffles from the stage, the Confucian legacy is being rehabilitated.

These odd cross-currents seem set to continue for the

Tokyo hits Hoechst for Y4.4bn extra tax

German company is appealing against assessment of transfer price manipulation

By Michlyo Nakamoto in Tokyo

Hoechst Japan, a unit of the German pharmaceuticals company, has paid the Tokyo regional tax bureau Y4.4bn (\$44m) in additional taxes for allegedly transferring income taxable in Japan to Germany, it was disclosed vesterday.

The Japanese tax authorities charged Hoechst with the additional taxes, claiming the company had shifted Y6.4bn in taxable income to Germany between 1990 and 1992. It did so by paying more than reason-

the Japanese unit imported from its German parent, the

tax authorities allege Hoechst has denied the charge and countered that the Y4.4bn it has had to pay represents double taxation, since its parent company has already paid tax on the same amount in Germany.

'We do not believe this is fair treatment. We do ... not accept the tax statement," Hoechst said yesterday. The company was not making any more profits than leading Japa-

nies but its gross profit ratio was in line with the average. German and Japanese tax officials are discussing the issue after Hoechst initiated procedures as stipulated by an agreement the two countries have to avoid double taxation on profits made by companies operating in both countries.

required to pay the extra taxes before it could appeal. Hoechst's additional tax burden in Japan was disclosed as tax authorities from the US.

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provides our clients with the ultimate in credit card

We haven't even been going on about Hexagon - our

on-line cash management system that keeps our

Maybe that's why our recent share offer was more

Maybe that's why more and more people see us as

Maybe that's why more and more clients and

front runners not only in the Kingdom but around the

correspondent banks are looking to the Saudi British

clients in constant touch with their accounts.

But the word does seem to have got around.

than twenty six times oversubscribed.

Bank as their partner in Saudi Arabia.

Nor have we been bragging about introducing PhotoCard - the thermal imaging technology that

trade finance and corporate banking.

The German company was

gathered in Sydney to discuss the application of transfer price taxation. Under this, companies suspected of transferring profits to the parent company through excessive payments for materials and royalties are subject to addi-

tional taxes.

The Japanese tax authorities have become increasingly aggressive in charging foreign companies with extra taxes. Ciba-Geigy, the Swiss pharmaceuticals group, has been charged with an Y5.7bn in

additional taxes, while Coca-Cola (Japan) this year suffered a Y15bn tax penalty.

The Japanese stance comes amid concern that tax revenue will fall short of the government target. Corporate taxes have been adversely affected by Japan's weak economy over the past few years. The Japan Research Insti-

tute, a private think tank, for example, is forecasting a Y1,000bn shortfall from the government's target of Y13,800bn in corporate tax revenue for this fiscal year.

South African miracle stops at barracks

Mark Suzman on the problems of uniting one-time military foes

President Nelson Mandelack of discipline could not be ela is set to intervene in tolerated. Mr Mandela defused a dispute between the 27,000 predominantly black, former guerrillas from the liberation movements and the white training officers of the South African National Defence Force charged with integrating them into the national army.

Recently, many of the former members of the armed wings of the African National Congress and Pan Africanist Congress admitted to military training camps have gone absent with-out leave, citing dissatisfaction with the integration process.

In the past week nearly 7,000 new recruits have refused to go back into training until their grievances, including more rapid processing of recruits, Mr Mandela has held talks

with Mr Joe Modise, defence minister and former commander of the ANC's military wing, and General Georg Meir-ing. SANDF chief of staff, to discuss the problem and is planning to broach it with army commanders today. The former South African

Defence Force comprised highly-trained soldiers. By contrast, Umkhonto we Sizwe (MK) and Apla, the ANC and PAC's guerrilla armies, tended to be relatively unstructured.

The most common complaints appear to be boredom. dislike of military discipline, and dissatisfaction with the process requiring them to undertake military, medical and educational tests to assess training and rank.

So far the dispute appears to be confined to the lower ranks; integration of officers is proceeding without much difficulty. Lt-Gen Siphiwe Nyanda. former MK chief of staff, is now SANDF chief of staff and has been heading meetings on the broader integration process. But when he tried to mediate directly on the issue, protesters attacked his car.

Mr Modise's deputy, Mr Ronnie Rasrils, also a former MK commander, admitted seri-ous problems, but warned a report.

a similar protest when he remonstrated with 500 protesters who had marched to the Union Buildings, headquarters of the administration in Pretoria, to air their grievances.

The problem is likely to be worsened by the need to incorporate a further 10,000 soldiers from the former homeland defence forces, and several thousand members of a failed National Peace Keeping Force formed before April's first allrace election, into the SANDF.

Because many of these have already done some formal South African army training, they are largely exempted from the assessment procedures, but will become part of the next stage of bridging programmes leading to full integration. Further problems are likely

over jobs and salaries. The government has warned that tran-sitional defence funds will in future be diverted to reconstruction and development The SANDF's goal is to cut the army's size to 91,000 by 1998 from its present 130,000

CORRECTION Hinduja

In an article on September 6 the Financial Times referred to Mr G.P. Hinduja, Mr S.P. Hinduja and Mr P.P. Hinduja as accused in the Bofors gun affair in India. Mr S.P. Hinduja have been brought.

Swiss Supreme Court had rejected a plea for secrecy about the family's involvement in the scandal. In fact, the plea was against the granting of judicial assistance in the investigation. The court did not consider any plea for secrecy nor any evidence that the family was involved in the scandal. The Financial Times regrets

and Mr P.P Hinduja are not accused in the First Information Report and no charges The article also said that the

any embarrassment caused to the family by the original

Taiwan SEC chief refuses to quit

Mr Day Linin, chairman of Taiwan's securities and exchange commission, yesterday defended his handling of a stock market crisis and resisted calls to step down, Laura Tyson reports from

"There is no need for me to resign over this affair, or take responsibility," Mr Day told the finance committee of the Legislative Yuan, or parliament. "I have handled the matter completely correctly, and at this stage believe no one can handle it better." A string of share payment defaults amounting to T\$7.6bn (£185m) sent stock prices down 14.7 per cent last week.

Mr Day said he had acted in the best interests of most inves-

tors, and denied suggestions by opposition legislators that he had sought to give advantage to certain business groups.

President Lee Teng-hui yesterday denounced speculative practices in the stock market. He told the party's central standing committee the finance and justice ministries would co-operate to prosecute such activities, where appropriate. Share prices rebounded 6.03 per cent yesterday to 6495.78, encouraged by government moves to support the market.

Car bombs shake Algiers

The local representative in Algiers of Daewoo, the South Korean industrial group, was yesterday killed as the city was shaken by explosions, two of them car bombs, David Buchan reports from

The bombs, outside the justice ministry and Algiers university, came shortly before the trial of two alleged kidnappers is due to open before a special court. Earlier, the French ambassador to Algeria was summoned to

the foreign ministry, which complained that an interview given by Mr Francois Léotard, French defence minister, constituted

by Mr Francois Leotard, French detence minister, consumed interference in the country's internal affairs.

The minister had been quoted in a Saudi daily newspaper as suggesting that, instead of suspending the 1992 election which the Algerian fundamentalists looked like winning, the authorities should taken the risk of holding the poll. But Mr Alain Juppe, France's foreign minister, rejected the complaint when he told French MPs France could not stay out of the Algerian debate, "because our interests are at stake."

Seoul share purchases eased

Foreigners residing in South Korea will be exempt from curbs on foreign shareholdings in listed companies starting next January. John Burton reports from Seoul.

An announcement yesterday by the finance ministry follows its decision to raise the foreign shareholding ceiling from 10 to 15 per cent next year. The measure is the latest indication of the government's apparent determination to open the stock market gradually to foreign

investment, until now severely restricted. Mr Park Jae-yoon, the new finance minister, said the band for permissible daily stock price movements would be eased next year, the deposit requirement for stock purchases would also be

Opposition arrest in Nigeria

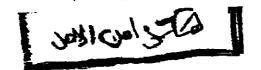
Military authorities have arrested a senior leader of Nigeria's main opposition group Nadeco after the police raided his Lagos hideout, the group said yesterday, Reuter reports from Lagos.
"Mr Ayo Opadokun, patriotic and energetic general secretary of

Nadeco, has been arrested and taken to (an) unspecified location after his house and temporary refuge had been broken into and sacked," Nadeco said. Nadeco is an alliance of politicians, retired senior military

officers and pro-democracy activists backing the detained politician Moshood Abiola, undeclared winner of last year's annulled presidential election. Chief Abiola is on trial for alleged treason for declaring himself president in defiance of Nigeria's military



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ahead Allies could impose new impose new curbs on Iraq

By Stewart Daiby and Robin

Kuwait's allies are determined to force President Saddam Hussein to abandon his threatening attitude towards Kuwait, they said yesterday.
They were also "actively con-

sidering what further measures needed to be taken to ensure that Iraq never again disrupted world peace by mass-ing tens of thousands of troops

close to Kuwait's border". Mr Warren Christopher, US secretary of state, flanked by Mr Douglas Hurd, British foreign secretary, Prince Saud al-Paisal, Saudi Arabia's foreign minister, and Sheikh Fahim bin-Sultan al-Qasimi, secretarygeneral of the six-nation Gulf Co-operation Council (GCC), said the group had reached

four main agreements: • Iraq's troops must abandon their threatening posture. Never again would Iraq be allowed to disturb the peace in the region and seek to intimidate the UN.

• "We have agreed to an equi-. table share of the costs" (of allied military deployment).

• Each of the GCC countries had agreed to provide overflying rights for aircraft of the allied forces.

• The GCC had agreed to contribute units from its Peninsula Shield force to

He emphasised there could be no lifting of UN sanctions against Iraq, but refused to be drawn on what further measures were being considered to deter Iraqi threats. These measures include the enforcement on Iraq of a ground forces exclusion zone.

Mr Christopher said the allies had expressed "great sympathy for the people of Iraq" but the responsibility for their condition lay with Mr Saddam. "The facts speak for

themselves," he said. "Saddam Hussein has impoverished his country and dishonoured its military." The Iraqi leader should be in no doubt that if he continued a policy of intimidation "Iraq

will be devastated". Mr Christopher said there were signs of some Iraqi troop withdrawals from the border area, but it was too soon to say the crisis was over. There was among the allies "a total lack of trust in what Saddam Hus-

Mr Hurd said the UK was happy to support Kuwait "because we believe in standing by our friends and because the UK retains a strong interest in the stability of this area". Mr Hurd stressed a military exclusion zone was one of several options. "Nothing has



Doubt cast on exclusion zone in the south

Advantages seen but feasibility questioned by IISS director

By Edward Mortimer

It would be "very difficult" to establish a military exclusion zone in southern lraq analogous to that in the north, Mr John Chipman, director of the International Institute of Strategic Studies, said in London

yesterday. However, such a zone would have definite advantages for those countries, notably the US and UK, which have committed themselves to defend Kuwait and "will want to alleviate the task of performing

that role"...
Mr Chipman, speaking at the launch of his institute's ahnual "Military Balance" (a review of armed forces and weapons around the world), said it would "require a lot of man-neuvring in the next 24-48 hours" to set up an exclusion zone, "if that proves to be the objective of the US administra-

Such a zone, in which the movement of troops and associated equipment would be pro-hibited, would have three advantages, he suggested:

It would make it much more difficult for Iraq to create

a threat on the Iraq-Kuwait' border. • It would make it difficult for President Saddam Hussein to use his armed forces for the purpose of repressing the Shiites in southern Iraq.

 By confining the elite Republican Guard to central Iraq and denying them access to both the north and the south, it might sow doubt in the minds of frag's military leaders about the capacity of their commander-in-chief (Saddam Hussein) to control and defend Iraqi territory. But Mr Chipman also sew

nent members of the Security Council, in particular Russia? Secondly, what are the politi-cal consequences in Iraq of pushing the Republican Guard around in this way?" There might be disadvantages as well as advantages, he suggested, in continued uncer-

two problems with the scheme.

relationship with other perma-

"First, how will it affect the

tainty in both northern and southern Iraq. Mr Ahmed Hashim,

research associate at the institute, added that if the zone were established, Iraqi dissi dents based in Iran might move into it, and this "would result in a three-way partition

of the country". Even if the Tehran government did not favour such a development, Pasdaran (revolutionary guard) units in southern Iran might give weapons and advice to the Iraqi Shiite forces based in their area, who are loyal to the Supreme Council for the Islamic Resistance in Iraq".

Yesterday, the Supreme Council's London office claimed that the Iraqi regime "has transported chemical and biologicai weapons" into southern provinces where there have been signs of pop-

ular unrest. It also claimed to have reports from both central and southern fraq that "the Iraqi people in general are begin-ning to show their rejection and criticism of the latest aggressive movements of troops towards the Kuwait bor-

đer". They were also starting to show their rejection and criticism of the effects of soaring prices and lowering living

More are Russian envoys start Baghdad talks going hungry

A trade embargo and lack of government organisation are forcing increasing numbers of Iraqis to go hungry, top offi-cials from the United Nations World Food Programme (WFP) said yesterday. Reuter reports from Rome.

The monthly salary of an Iraqi civil servant is barely enough to buy 1kg of meat, said Ms Mona Hammam regional manager of the WFP in the Middle East. "People are selling assets and land to make ends meet." The Rome-based WFP feeds

1.3m Iraqis, making it the country's largest supplier of food, Ms Catherine Bertini, executive director, said. The number of people need ing food aid would rise if the

Iraqi government failed to improve distribution. "The Iraqi government gives out food to anyone who asks. instead of targeting the most vulnerable groups." The WFP was stockpiling food in Iraq ahead of what could be a hard winter. Food

prices had increased 600 per

cent in southern and central Iraq and 84 per cent in the north. Some 23 per cent of Iraqi children were suffering from malnutrition.

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They bring a Yeltsin-approved plan urging patience in waiting for sanctions to ease By Mark Nicholson in Beghdad

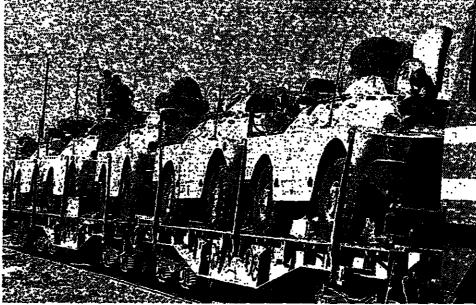
Two senior Russian diplomats began talks with Iraqi leaders apparently carrying a plan approved by Mr Boris Yeltsin. defusing tensions on the Iraq-Kuwait border, while telling Iraq it must be more patient in waiting an easing of sanc-

Mr Igor Ivanov, first deputy foreign minister, and Mr Viktor Posuvalyuk, director of the ministry's Middle East department, arrived after an overnight road journey from Amman early yesterday for what diplomats in Baghdad called a "hastily arranged and developing programme of meetings" with Iraqi officials. Russian officials would not

comment on the envoys' proposals, or confirm whether the two men would travel on to Kuwait for further talks, as Moscow officials had suggested earlier this week. Diplomats said the two men

were expected to discourage Iraq from taking what one called "absurd steps" in the attempt to press the UN Security Council into an early lifting of the four-year-old oil

They said Iraq still hoped such moves could follow the Security Council's approval of



lragi armoured cars loaded aboard a train in the southern city of Basra

the report by Mr Rolf Ekeus, UN special envoy, that long-term weapons monitoring systems were "provisionally operational" in Iraq and ready for a test period.

Iraq believes it should be given a clear period for this test, after which sanctions would be lifted; diplomats said Baghdad has been insisting the

Security Council set specific

The Russian envoys are expected to encourage Iraq to wait out a six-month test period for long-term monitor-ing, a period understood to be acceptable to most Security Council members as a fair test of Iragi compliance. They are expected to tell the

Iraqis Russia would reward such patience by arguing strongly after the six months sanctions.

Support for such a scheme from France and China, along with Russia, had been gaining ground before President Sad-dam Hussein's troop movements towards Kuwait pro-

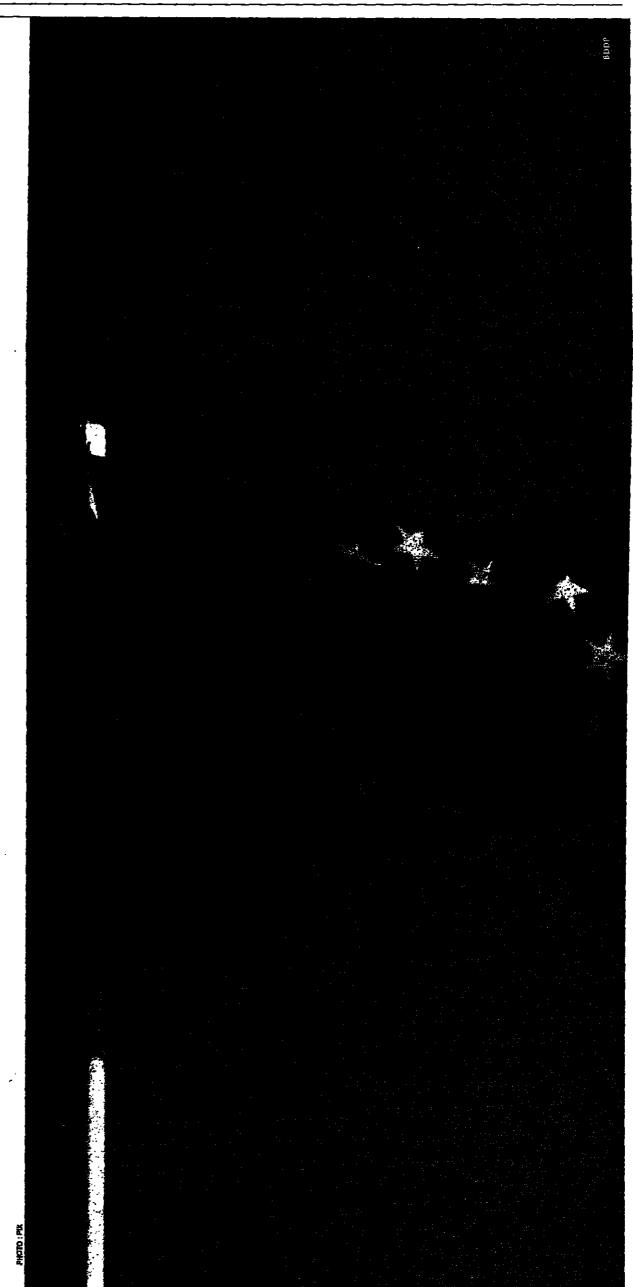
Most UN diplomats believe Mr Saddam's actions have succeeded only in reversing the diplomatic momentum Iraq

had been winning. There was no let-up in Iraq's verbal attacks on the UN or the US, with both officials and media continuing to lambast both, for what Babel, the news-paper owned by Saddam's son Uday, called a "rancorous

scheme against Iraq". General Amer Mohammed Rasheed, director of Iraq's military industrial commission, attacked Mr Ekeus' report as "rife with ignorance of Iraq's co-operation" with the UN. Al-Thawra, official paper of the ruling Ba'ath party, accused the west of "propagat-

ing fuss." Diplomats said Iraq was continuing to move lts troops north of Basra yesterday, and that both the Chinese and Russian military attachés in Iraq were yesterday in the south o the country to confirm the

withdrawals. In Baghdad, few signs remained that the past days' tensions had affected the city. Market traders said inflated prices for food and other basic goods had risen in the past few days, only to return to "normal" inflationary levels yester



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OUR WORLD REVOLVES AROUND YOU

E E 2

Canada plans for cable and telecoms freedom

By Bernard Simon in Toronto

Canada is to clear the way for open competition between telephone companies, cable-TV operators and other telecommunications providers, under a new policy unveiled by the industry minister, Mr John

The government has directed the Canadian Radio-Television and Telecommunications Commission (CRTC), which regulates broadcasting and telecoms, to study the legislative changes required to bring down regulatory

The CRTC is expected to complete its report by the end of February. "We want real competition, and our vision is not restricted to established industries," Mr Manley said. "We fully expect - and will

actively encourage - a host of new entrants. We want competing carriers and other service providers to have full s, on equitable terms, to the facilities of telephone companies and cable companies, other than capacity used for

broadcast signals." Although foreign investors are presently limited to minority stakes in Canadian phone, cable and broadcasting companies, several have already entered the market. AT&T, for example, owns 20 per cent of Unitel, which pioneered competition in long-distance telephone services two years ago.

Sprint, the US long-distance company, has a 25 per cent interest in Call-Net Enterprises of Toronto, another new entrant in the long-distance

The CRTC last month spelt out plans to encourage competition in local telephone services, which are presently dominated by monopolies in each of Canada's 10 provinces. The traditional cross-subsidy of local rates by long-distance revenues will be substantially reduced with the aim of attracting new entrants.

US pays to make superhighway fair



US commerce secretary Ron Brown announced grants of \$24.4m

The US Commerce Department yesterday took steps to ensure that the US information superhighway reaches schools, hospitals, libraries, government agencies and minority communities which might otherwise be left out of the communications revolution.

Mr Ron Brown, the US commerce secretary, announced 92 grants worth \$24.4m for programmes in 45 states this year. Matching funds from private and other public sources brings the total information spending dedicated to public institutions and under-served communities to \$67.6m. In 1995, the administration will hand out \$64m, a large increase but still well below demand. This year applicants raised \$800m in matching funds and requested \$560m in grants. Only one out of 10 bids was accepted. The department's National Insti-

ogy runs a much larger grant programme to help industries research and develop critical new technology for the information superhighway. Commerce officials said that,

while the private sector would develop the information infrastructure which US companies need to remain competitive, the government's role is to help under-served communities. "These are public institutions which are integral to the fabric of this nation." said Mr Larry Irvine, assistant commerce secretary for communications and information.

In the atmosphere of cynicism among the US electorate. grant programmes like these are easily labelled "pork barrel" by anti-government conservatives. Commerce officials insisted there were no politics involved in the awarding of only one grant to Texas increasingly Republican terri-

tute of Standards and Technol- key state for the president's 1996 re-election campaign.
Many of the grants read like

a roll-call of traditional Democrat constituencies in minority and low-income communities. This was deliberate, said department officials, to avoid creating "a society of information haves and have nots".

Harlem, the black community in New York City where Mr Brown grew up, received one of the larger grants -\$450,000 - for a \$1.1m project to plug six schools into an environmental learning programme. A \$156,000 grant will support a \$300,000 plan for linking more than 500 American Indian tribal governments and developing "telemedicine" child care, education, economic development and cultural preservation programmes.

A \$100,000 grant will go to a Korean Youth and Community Centre in Los Angeles to develop training for commu-

AMERICAS NEWS DIGEST

Aristide return on schedule

Lieutenant-General Raoul Cedras, the leader of Haiti's military coup who relinquished power on Monday, was expected to leave the country yesterday just three days before the scheduled return of exiled president Jean-Bertrand Aristide.

United States military forces continued to guard the home of the ousted general as removal vans loaded with Gen Cédras's valuables headed towards alreraft awaiting him at the capital city's airport. A US embassy spokesman said that only some "peripheral and marginal issues" about his departure had to be worked out, most notably to which country he would be taken to. Argentina, Panama and El Salvador have been mentioned as possible destinations. The spokesman also said that the chief coup strategist, General Pillipe Blamby, was likely to accompany Gen Cédras into exile. Gen Cédras's expected departure follows the collapse of the government led by de facto president Emile Jonassaint, who left the presidential palace on Tuesday. All of Mr Jonassaint's ministers also abandoned their offices, and US troops peacefully secured 15 different government buildings. Inside the presidential palace, US security officers and Mr Aristide's transition team began initial preparations to receive the legitimate president when he arrives on Saturday. Ted Bardacke, Port-au-Prince

Nobel prizewinner list grows

North American dominance of the 1994 Nobel prizes was underlined yesterday when two Americans and a Canadian won the awards for physics and chemistry. The physics prize was shared by Mr Bertram Brockhouse of McMaster University in Hamilton, Ontario, and the Mr Clifford Shull, of the Massachusetts Institute of Technology, for their pioneering development of neutron scattering techniques. Their work, carried out 40 years ago, has paved the way for the develop ment of new materials such as ceramic superconductors. The chemistry prize went to Mr George Olah, of the University of Southern California, for his contributions to carbocation chemistry. "In simple terms Clifford Shull has helped answer the question of where atoms 'are' and Bertram Brockhouse the question of what atoms 'do'," said the Royal Swedish Academy of Sciences when making the SKr7m (£583,300) award. The science academy said the work of the Hungarian-born American, Mr George Olah, had been widely recognised among organic chemists and that his work on carbocations - positively charged hydrocarbons - had won a prominent position in modern textbooks. Hydrocarbons are used to make gasoline, pharmaceuticals and plastics. Seven out of the eight Nobel prizewinners announced so far have been North American or North America based. Christopher Brown-Humes, Stockholm

THEELIII

Silver

Warring on

World Bank conservation plea

A senior US Treasury official called on the World Bank yesterday to lend more money for energy conservation and less for energy production. Mr Larry Summers, treasury under secre-tary for international affairs, said programmes that end the excessive use of energy are "strategies" that the bank must pursue. The bank has in recent years increased its activities in the energy conservation field and has advised many countries on restructuring their energy sectors to reduce subsidies and introduce more efficient pricing. Mr Summers yesterday told the Overseas Development Council, a Washington-based research and pressure group on development issues, that the World Bank currently lends 20 times as much for energy production as it does for energy conservation. Mr Summers said subsidised energy prices led to waste and needless pollution. George Graham, Washington

Alberta's premier wields his axe

Budget pain is being inflicted but nobody is crying out yet, writes Bernard Simon

r Ralph Klein is succeeding where most politicians have failed. Determined to balance Alberta's budget within the next two years, the premier of the oil-rich Canadian province is chopping government programmes left, right and centre. His government has closed thousands of hospital beds, eliminated almost two-thirds of the province's school boards, and turned to private enterprise to run services as diverse as liquor stores, lawn-mowing and the issue of birth certificates.

What is most remarkable, however, is that the deeper the cuts bite, the more popular Mr Klein becomes. According to an opinion poll published in late August, 61 per cent of Albertans approve of the Conservative government's performance, up from 51 per cent four months earlier.

Mr Klein, a forthright man who acknowledges putting his foot in his mouth at times, says the secret of his success is that "we're keeping promises". "People might not like what

we're doing, but they all say at least: 'You're keeping your promise'," he said. Mr Mike Percy, finance

spokesman for the opposition Liberals, concedes that Mr Klein has struck the right chord: "It's the temper of the times here," Mr Percy says.
"People won't believe you unless you say it hurts." Mr Klein, who was a Calgary TV reporter before entering politics, at first won voters' confidence by putting himself and other politicians at the front of the firing line. Soon after taking over as premier in December 1992, he abolished the provincial legislature's pension plan. Mr Klein says he has sacrificed almost C\$60,000

(£28,300) in accrued pension

benefits himself. He has also

given up his C\$5,000 a year

allowance for clothing and

other expenses. Cabinet members took a 5 per cent pay cut. The pain now being inflicted on Albertans is largely the result of earlier governments' misplaced optimism about the course of oil and natural gas prices. Alberta prospered when

oil prices rose sharply in the late 1970s. By 1985, the province had accumulated a surplus of almost C\$12bn. Oil royalties were squirrelled away in a Heritage Savings Fund, to be used for long-term infrastructure investments. But the previous government failed to trim its sails when oil and gas prices fell. Resource revenues plummeted from almost C\$5bn in the fiscal year to March 1986 to less than C\$2bn the following year, and then stagnated. At the same time government spending grew by an annual average of 5.1 per cent in the

he budget surplus turned into a deficit, reaching C\$3.8bn last

five years to 1992.

year. Alberta's debt is expected to rise to C\$32bn at the end of the current fiscal year, in effect mortgaging the Heritage Fund. Alberta has now lost its coveted triple-A credit rating. A carefully-timed government commission, comprised mainly of business leaders, laid

"many of the present systems were designed to serve the province during an era of abundance, and the current times of economic difficulty necessitate major changes".

Mr Klein looks easily set to reach his target of a balanced budget by 1996/97. The government recently forecast the current fiscal year's shortfall at C\$1.35bn, or C\$205m lower than the 1994/95 budget estimate. Unexpectedly strong oil and gas revenues make up the bulk of the windfall. But programme spending cuts, projected at 20 per cent over four years, remain on target.

Mr Klein has promised to reach that target without raising taxes. Alberta remains the only Canadian province without a retail sales tax. But the government has sharply boosted revenues from public user fees. For example, public funding of kindergartens has been cut from 100 per cent to

58 per cent. The austerity drive has drawn loud protests from some groups, notably the elderly, the ground for the cuts early last year by warning that who worry that healthcare

standards are slipping, and diffuse group. "He's got a coherent strategy, and there's no coherent opposition," says Professor Alan Tupper, a political scientist at the University of Alberta in Edmonton. Domestic and foreign investors however, are cheering. Moody's, the credit-rating agency, noted in a recent report that Alberta's deficit-reduction plan is the most aggressive among Canada's 10

The provincial treasurer recently brought together a high-level group of academics, public-service officials, business leaders and unionists to chart a course for fiscal policy once the balanced-budget target has been achieved.

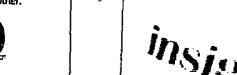
provinces.

A generous tax cut is a nearcertainty before the next provincial election in three or four years' time. "There will be something," Mr Klein says. But he insists that the government will be careful not to create the expectation that "we're just going to start throwing money

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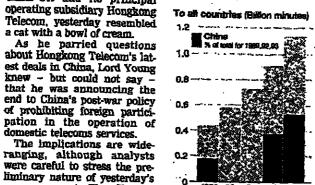
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English Programme

ord Young, chairman of Cable & Wireless of the Hong Kong Telecom:



ket to overseas operators. The regime for participation is likely to remain unclear for some time. C&W has still to negotiate the precise terms of its engagement in the two networks operations unveiled yes-

terday, and negotiations with

1989 90 91 92 93

other operators are still at an early stage. But many operators besides C&W have ambitions to enter China, and some already have a foot in the door. Nynex, one of the seven US Baby Bell to signal Beijing's recognition regional operators, is acting as of the fact, opening the world's an adviser to LianTong Comregional operators, is acting as

launched state telecoms company operating alongside the established MPT. AT&T, the largest US operator, is also

Foreign operators calling Beijing's number

Cable & Wireless has breached China's telecommunications markets. Simon Holberton reports

exploring prospects.
In all, Hongkong Telecomexpects to invest between \$250m and \$350m over the next two to three years, and that could just be the beginning. For the past 15 years China's domestic telecoms market has been the Holy Grail for Hongkong Telecom. "We have been talking to China for years about projects," Lord Young said. "The first project - which will take three-quarters of planned expenditure – is a joint venture with Beijing's Telecommunications Authority to upgrade, develop and share the management of the Chinese capital's cellular tele-

phone network.
Currently the network supports 60,000 users and 300,000 pagers. In addition to upgrading from analogue to digital technology, Hongkong Telecom plans to double its size of the network every year "for the next few years"

The second is participation in the construction and management of a fibre-optic cable between Beijing and Hong Kong. It will undertake this largest telecoms growth mar- munications, a recently- posts and telecommunications.

The UK's Export Credits Guarantees Department (ECGD) is backing £75m (\$120) worth of British exports to China with a loan value of £61m. Four recent contracts range from

telecommunications and engineering to food Davy McKee (Stockton) won a contract for the supply of a direct reduction iron plant at Tianiin with a loan value of

\$22.5m and finance arranged by West Merchant Bank. This was the first ECGD dollar buyer credit to be arranged for the People's Construction Bank of China. The largest contract is for an optical fibre network project which will link cities in the provinces of Hunan and Hubei with Chonoing. The loan value is \$51m with ANZ Grindlays

The cable will stretch some 3,000km - passing 80 towns and cities along the way - and connect to the Guangzhou-Hong Kong fibre optic link. Capacity will be increased by 80,000 lines. As with the Beijing cellular telephone deal, Hongkong Telecom expects to

Humait Engineering won a

third contract to supply three chicken processing plants in Yantai, Penglai and Guzhen. The plants, with a loan value

of £7.9m, are follow-on projects resulting from the success of two similar installations at Rongcheng and Qingzhou last year. The loan was arranged by Samuel Montagu on behalf of Midland Bank, the lead bank, with the Overseas Development Administration providing a

grant of £4.2m. Midland Bank was also the lead bank and Samuel Montagu arranged the loan for the fourth contract for air preheaters for a power station at Gao Bet Dian in Beijing. The contract was won by Howden Sirocco.

China has been one of ECGD's top markets for many vears and corrently has the third highest exposure for all markets with £1.5bn insured.

of the facility and earn equitytype returns. C&W said it was important for Hongkong Telecom to do its first major deals with Beljing entities, signalling the Chinese government's blessing for the ventures. Hongkong Telecom

has spent years cultivating

Fujian and Shanghai. After its network in Hong Kong went digital last year it completed shipping - and installing gratis - all its analogue telephone switches to Guangdong. "It belped promote telephone traffic between Guangdong and Hong Kong, it was enlightened self-interest," he said. In Shanghai, where Cable &

Wireless on Monday held its first board meeting on the Chinese mainland, the local authorities welcomed their participation in the city's telecommunications market. The local government is especially keen for the company to expand telecoms in the Pudong special economic zone.

The Chinese move takes place against a backdrop of rapid liberalisation and privatisation in the international telecoms industry. Demand for capital and telecoms develop-ment expertise is intensifying across the developed world particularly in Asia - as governments seek to modernise their telecoms networks as a key element in policies to pro-

mote economic growth. "You could say it is the end of a very long road and the first step on a long march," said Lord Young. But as the Chinese say: the longest march

Hoechst plans China expansion

Hoechst, the chemical group, yesterday announced plans to double its investments in China. Mr Jürgen Dormann, the chairman, said in Beijing that Hoechst would raise its capital spending there from \$300m to \$600m in the next two or three years, the aim being to export high-quality products from China to the world market. "We are aiming to double our sales and the corresponding asset base in Asia to 20 per cent of the group total over the next five years," he added. "China is a cornerstone in this strategy." Hoschst's Asia-Pacific turnover in 1993 totalled DM2.7bn (\$1.74bn), mostly in Japan. Its activities in China include filter cigarette material, pharmaceuti-cals, agrochemicals and polyester fibres.

Viag, the German energy, industrial and trading group is also planning to expand in Asia. It wants to double sales there from the present DM2bn (5 per cent of turnover) by 2000. Its Continental Can Europe division recently bought 25 per cent of Hong Kong-based Pacific Can Company, a drinks can maker which operates plants in China and is building a new one in Beijing. Andrew Fisher, Frankfurt

Westinghouse Russian venture

Westinghouse, the US engineering and manufacturing giant, plans a joint venture with Kharton, the former Soviet Union's defence group. The new company, Westron, will work in Ukraine's large nuclear energy sector. The US Nunn-Lugar defence conversion aid package is providing \$5m for the ven-ture and Westinghouse will invest another \$20m in technology and equipment. Westron will update protection and control systems at Ukraine's 14 nuclear reactors at five sites. In spite of international pressure to close its nuclear plants, Ukraine has committed itself to upgrade and maintain the nuclear stations. No decision was reached on Chernobyl, the site of the world's worst nuclear accident in 1986. Other companies interested in Ukraine's large nuclear and military-industrial complex include ABB Combustion Engineering, part of the Swiss-Swedish engineering concern. Orbital Systems of the US, has been approached by Kharton to find commercial use for SS-18 carrier rockets. Matthew Kaminski, Kiev

Japan set to reform rice law

Japan's agricultural ministry yesterday submitted proposals to reform the country's food control law, which governs rice production, distribution and retailing. The legislation will replace the food control law when Japan partially opens its rice market at the start of next year under provisions of the Uruguay Round of multilateral trade. Next year, the government will allow rice imports up to 4 per cent of the domestic rice market. The figure will be gradually increased to 8 per cent by the year 2000.

Under the proposed rules, any company or organisation will be allowed to buy rice from farmers and sell it on the open market, just by notifying its plans to the government. Currently, a state licence is required to trade or sell rice. Consumers are unlikely to benefit fully from cheap imports, since the legislative proposal stipulates that profits from selling imports at around domestic prices are to be used for maintaining rice stock for emergency use. The new bill will be submitted to the cabinet for approval next week before being sent to parliament. Emiko Terazono, Tokyo

Asian airlines cut fares

Several airlines in Asia are following Singapore Airlines (SIA) and cutting first and business class fares on regional routes. At the weekend SIA announced it would reduce first and business class fares by between 10 and 20 per cent to 33 destinations in Asia, the south-west Pacific and South Africa. Cathay Pacific, Thai Airways International and Qantas have now announced similar reductions on flights out of Singapore. Malaysia Airlines and other regional carriers are also likely to announce fare reductions.

SIA, consistently one of the world's most profitable carriers. has been hit by growing competition from other airlines in the region and the steep appreciation of the Singapore dollar against other regional currencies. About 35 per cent of SIA's revenues comes from sales of first and business class tickets. A spokesman for Qantas said that the Australian carrier had to follow SIA in making fare reductions in order to remain competitive, particularly on routes from Singapore to Austra-

Portugal sets sights on China

Portugal could export more transport, electrical and telecommunications equipment to China and could even receive an order to build ships for Beijing, Portuguese Trade and Tourism Minister, Mr Fernando Faria de Oliveira said yesterday. He added that there was potential for exports of railway carriages, electricity generating equipment, electrical and telecommunications cables and digital telephone exchanges. The minister also said China had expressed interest in building a toy factory in Portugal to get round European Union import quotas on Chinese toys. Portugal runs a heavy trade deficit with China, to which it has traditionally exported modest quantities of tomato paste and wood pulp. Reuter, Lisbon

Contracts

Matsushita Electric Industrial will set up a venture with China Shenyang Storage Battery Factory to produce small sealed lead acid batteries in Shenyang, China. The venture, to be formally established in November and capitalised at Yl.45bn (\$14.5m), is to begin production from January 1997. The batteries are for use as small-sized and emergency power sources for cellular communication base stations or small switching systems. They will be supplied to China, south-east Asia and Pacific island countries. Reuter, Tokyo

Japan's Ministry of International Trade and Industry has admitted five foreign concerns, including Westinghouse Electric and Rolls-Royce, to one of its new energy research proects. The Y300bn project aims to develop the efficient extraction and use of hydrogen as an alternative energy source for future generations. *Reuter, Tokyo*Raytheon of the US has been awarded a HK\$67m (\$8.7m)

contract to supply and install two radar systems for Hong Kong's new airport. Work will start later this month and will be completed in February 1996. Reuter, Hong Kong ■ Italiel, the manufacturing subsidiary of Italy's state-owned

telecommunications group, has completed its second callular phone project in Russia. The \$4m contract includes the supply and installation of a digital cellular turn-key system, radio base station, control unit for base stations and a Linea UT switching centre. AP-DJ, Milan

■ Intracom, the Greek telecommunications and information company, yesterday signed a contract to modernise telephone communications at the Kremlin. The one-year turn-key project involves installation of an AXE-10 Digital Exchange. Intracom manufactures the AXE-10 under licence from Ericsson of Sweden. Foreign Staff, London

Norwegians plan German gas pipe investment

By Karen Fossli in Bremen

UK and its principal

domestic telecoms services.

announcement. The Chinese

government aims to increase

its number of phone lines from about 30m barely more than the UK - to at least 110m by

2000. That is equivalent to the

construction of a telecoms net-

Equipment suppliers familiar with China's ministry of posts

and telecommunications (MPT)

have long believed it would not

be possible to meet that objec-

tive without investment and

management input from west-

ern network operators. Yester-

day's announcement appears

barely six years.

work far larger than Japan's in

Norwegian oil and natural gas producers Statoil and Norsk Hydro yesterday announced they would invest in a natural gas pipeline in Germany.

The agreement, signed with Germany's Ruhrgas, the biggest German gas importer, and BEB, Germany's biggest producer of gas, establishes a new company, Netra. Netra will complete and operate a large-diameter in the Norwegian North Sea. pipeline requiring a total investment of more than DM1bn (\$650m).

The agreement comes just two

tive pipeline transmission system, jointly owned by Gasprom of Russia and Wintershall of Germany, and intensifies the battle between Norway and Russia over new European gas

Netra will build a 290km pipeline between Etzel, near Wilhelmshaven in Germany, and Salzwedel on Germany's former east-west border. The Etzel facility is supplied via Emden, Germany, from the natural gas fields

It will link up with the gas pipeline from Salzwedel to Bernau, north of The agreement comes just two Berlin, being built by Ruhrgas and weeks after completion of a competiNorwegian gas volumes contracted by VNG in 1993.

Between 70 per cent and 75 per cent of the Netra pipeline has already been built by the German partners. The Norwegian partners will therefore be making the greatest share of the remaining investment.

Under the terms of the deal, Statoil and Norsk Hydro will jointly own 25 per cent of Netra with an option to increase this to a third should the pipeline system be extended. The remaining Netra shares are

nected to the VNG pipeline network man partners in the venture. Dr Burk-as well, allowing it to be used for hard Bergman, a Ruhrgas executive, industries of western, central and yesterday said the Netra pipeline was not a common carrier but it's an investment for the shareholders," referring to the European Union's plans to open pipelines to third party

participate in the management relationships in Guangdong,

The companies said their co-operation would increase natural gas supply volumes from Norway to Germany and central Europe. Another aim of the venture is to cut unit costs of the pipeline which will be completed in 1995.

eastern Europe by a cross-border pipeline network. The pipeline - with annual transport capacity of up to 18bn cubic metres - will have the potential to supply Germany and neighbouring countries with volumes of Norwegian gas greater than those

already contracted Existing contracts with Germany alone call for the annual volume of Norwegian gas imports to climb from 11bn cubic metres at present to over 30bn cubic metres in 2005, raising the Netra believes the pipeline will be share of Norwegian gas to 31 per cent equally distributed between the Ger- an important link in the growing of German supplies, from 14 per cent.

able in electronic form but

many companies, especially in

the Third World, could find

themselves excluded from

trade if they cannot adequately

"In a world where informa-

exploit the new technologies.

tion has become the main stra-

tegic factor of competitiveness.

the border between trade win-

ners and losers is often the one

rules shown to be arbitrary

By Nancy Dunne in Washington

Mexico, a country with no indigenous television technology, now supplies 70 per cent of the television sets imported into the US market. This is the result of the circumvention of US dumping duties on colour picture tubes produced in Japan, Korea, Singapore and Canada, according to Mr Timothy Regan, a spokesman for the Committee to Preserve American Colour Television

(Compact). From all sides of the dozens of antidumping and countervailing cases brought each year to the US Commerce Department and the International Trade Commission, there are stories of inconsistent findings, rulings easily circumvented, inept administration of decisions, and inadequate enforcement.

Ecuador, last month found guilty by the US Commerce Department, of "dumping" roses in the US market, says the 50 per cent duty to be levied will leave 10,000 Indian workers without jobs.
In the case of Ecuador, that

government said the US Commerce Department was "arbitrary and inconsistent" when it refused to let one of the defendants correct an error on a computer tape and did not follow its usual practices in determining the dumping margin. Mr Edgar Teran-Teran, US ambassador, said the industry received no government subsidies. "It is inconceivable to think of some kind of dumping from flower growers if they

receive no support."
Cases like these form part of the record being scrutinised by the International Trade Commission as it seeks to complete one of the broadest investigations ever conducted on the effects of US antidumping and countervailing duties on the economy. The results of the study are due next June.

At a recent ITC public hearing, commissioners heard from foreign suppliers, domestic producers, lawyers and academics, who said the "unfair trade laws" were themselves unfair. Mr Jon Jenson, president of the Precision Metalforming Association, said duties on foreign steel products had caused shortages of critical raw materials not produced in the US.

be devised to permit import of products in short supply. Mr David Gridley, an official at the Torrington Company, a producer of antifriction bearings, said many domestic shortages result from US industry close-downs caused by dumping: "One manifestation of harm to the domestic industry was the delivery and other problems that flowed

An effective mechanism had to

from reduced capacity." The Copper and Brass Fabricators Council said the US Customs Service and the US Commerce Department did not even know whether antidumping and countervailing duties had been assessed and collected: "Everyone assumes that the duties are being collected, but there is no trustworthy evidence to substantiate this claim or to ascertain the

amounts of the duties." The US antidumping laws were "a real world example of an existential system", said Mr Michael Finger, World Bank chief economist. "In antidumping law, existence precedes ssence. Essence is no more than a collection of accidents dumping is whatever you can get the government to act against under the antidumping law."

US antidumping Taking the paper out of trade

Frances Williams on the quest for more efficient commerce

he General Agreement The trade point network on Tariffs and Trade recently put the global gains from the Uruguay Round trade liberalising accords at an eventual \$500bn a year. Next week ministers, officials and industry executives from more than 130 countries will meet in Columbus, Ohio, to discuss how to boost that sum by another \$100bn - by cutting the costs of doing business

abroad. The United Nations International Symposium on Trade Efficiency is focusing on ways of making trading cheaper and easier, so enabling smaller companies and poorer nations to exploit the global market on more equal terms with established traders.

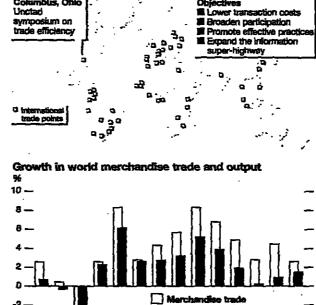
According to the UN Conference on Trade and Develorment, which is organising the five-day symposium, the costs of voluminous paperwork, complex formalities and associated delays and errors amount to about 10 per cent of the final value of goods.

A typical trade transaction may involve 30 different par ties, 60 original documents and 360 document copies, all of which have to be checked, transmitted, re-entered into various information systems, processed and filed. For small companies, this

can be daunting, even without the additional handicaps faced by many Third World exporters such as poor infrastructure and cumbersome, sometimes corrupt, bureaucracies. However, transaction costs totalling perhaps \$400bn a year by the end of the decade could be sliced by 25 per cent

and extending use of paperless trading, Uncted argues. The symposium is expected to adopt recommendations for tackling problems encountered by exporters in the areas of transport, trade information, telecommunications, business practices, and customs and

by streamlining procedures



1980 81 82 83 84 85 86 87 88 89 90 91 82 93

finance, with special emphasis on the difficulties confronting smaller companies and develonine countries.

One example is computerisation to speed customs clearance, increase government revenues and reduce opportunities for corruption. Unctad's Automated System for Customs Data (Asycuda), used by more than 60 developing countries, enabled Ghana and Mauritius, for example, to cut clearance times from a week to half a day. Sri Lanka boosted revenues by \$25m or 10 per cent in the first three months of operation, despite lower tariff rates. Though more than 100 com-

tries operate fully automated

customs clearing systems,

most trade transactions are

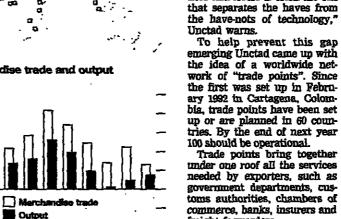
still paper-based. Errors and delays in paperwork cost com-panies business and customers,

"With the growing trend towards purchasing 'just in time', delays increasingly imply lost business. If local suppliers can produce and deliver inputs within a given deadline, remote suppliers must be able to do likewise or they will lose the market."

tries, edi is used by fewer than 7.5 per cent of companies. For may make edi impracticable.

tronic data interchange (edi). participants in a trade deal companies, customs, banks, insurers, transport agents and so on - have to use it.

exporters in developing countries, poor telecommunications Similar problems apply to that other essential of successful trading - business information. This is increasingly avail-



The answer, Unctad believes, is paperless trading or elec-However, to be effective all the

Even in industrialised coun-

commerce, banks, insurers and freight forwarders. Through trade points companies have the possibility of using edi as well as gaining access to computerised information on markets, potential clients and investment partners, tariffs and trade rules

Next week's symposium will formally launch the Global Trade Point Network, an electronic network linking the trade points with each other and other international networks, which Unctad hopes will become an important player in the field of trade information and electronic trading.

Trade points already claim success in increasing the number of companies involved in international trade and helping them trade more efficiently. Ms Rossana Trucco del Castillo. director of the Cartagena trade point, says 70 per cent of its users are small and mediumsized companies and half are new to international trade.

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Scottish

business

'feeling

confident'

Scottish companies are

confident about the prospects

of recovery, but are finding

progress slower than expected.

according to a survey of the

region's five main chambers of

It found confidence still ris-

ing - although at a lower rate than previously - in manufacturing, construction, wholesal-

ing and tourism. Factories were continuing to find a strong increase in orders and

sales. However confidence was

still falling in the retail sector

as tax rises continued to have

The quarterly survey by the Fraser of Aliander Institute, an

University of Strathclyde, said results in the third quarter did

not generally live up to expec-

tations, with wholesaling the

only sector where performance outstripped expectations.

economic research body at the 🐞

an effect.

Chancellor urged not to cut taxes in Budget

Economics Editor

Mr Kenneth Clarke, the chancellor, will be able to cut public spending plans for the coming 1995-96 financial year by £5bn without having to make real inroads into the government's spending programme, the independent Institute for Fiscal Studies reported

In its "Green Budget", prepared with Goldman Sachs, the US investment bank, the inde- although it could be as low as

pendent tax policy research £21bn, or 3 per cent of gross icy would be loosened next government consultative docugroup says the chancellor domestic product, if the govshould stay firm and not cut taxes in next month's Budget.

The study says the public sector borrowing requirement looked set to undershoot previous forecasts. For this financial year to the end of March 1995. the institute and Goldman Sachs expect a PSBR of £32bn compared with the £36bn predicted in the Treasury's summer forecast. They expect a 1995-96 deficit of £24bn.

ernment maintains its existing spending plans in real terms in the run-up to the next general election.

The report says lower-thanexpected inflation means the chancellor can keep to his previous plans for real, inflationadjusted public spending while announcing a nominal £5bn cut in spending for next year. Without such a reduction in the existing £263bn public expenditure control total, polyear and taxes might have to rise in the medium term.

The authors say improved public finances should not be used as an excuse to cut taxes because the drop in the PSBR will be entirely the result of higher than anticipated eco-nomic growth. "The tax increases announced last year grammes within the existing remain essential to bring the public finances under control," they add.

The green Budget, so-called because it is modelled on a

ment, or green paper, suggests that Mr Clarke will choose neither to tighten nor ease fiscal policy next month. With the next general election up to two and a half years away, dramatic initiatives are not expected. But the chancellor could still decide to change individ-ual tax and spending pro-

framework. Mr Andrew Dilnot, institute director, suggested that the chancellor may act to reform

benefit system to create more incentives for the low-paid to seek work. An eye-catching but cheap move would be to boost tax allowances for small com-

With inflation low, Mr Clarke might be tempted to freeze income tax allowances. saving some £750m, and use the proceeds to widen the 20 per cent reduced rate income tax band to £4,000 from £3,000. Mr Dilnot said Mr Clarke

might also seek to tidy up the

family credit and the in-work tax treatment of savings. But the authors do not anticipate any radical change in the tax treatment of dividends.

The authors expect further increases in interest rates. Mr David Walton. Goldman's senior international economist. yesterday forecast UK bank base rates of 7 per cent by mid-1995 compared with 5.75 per cent at present.

Options for 1995: the Green Budget. Institute of Fiscal Studies, 7 Ridgmount Street. London WCIE 7AE. £10.

Unemployment down 400,000 from peak

By Philip Coggan

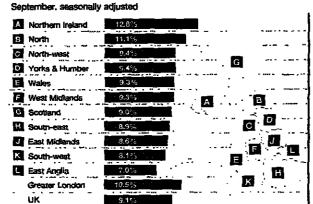
Unemployment fell in every UK region in September among both men and women, according to figures released by the Department of Employment

yesterday. The number of people out of work and claiming benefit fell by 57,879 to 2.58m, or by 28,000 adjusted basis. Unemployment has now fallen by more than 400,000 since its peak in Decemlevel since December 1991. The unemployed now represent 9.1 per cent of the workforce, down from 9.2 per cent in

The Labour Force Survey. also published yesterday, indi-cated that the fall in the unemployment total is at last being accompanied by a rise in employment. The survey found that employment rose by 65,000 between the spring and the summer and was 226,000 higher than in summer 1993. There was a bigger rise in male than in female employment and in full-time than in part-time

However, the LFS results, based on interviews conducted with households, show a different result from the workforce in employment survey, which is compiled from employers and showed a 35,000 fall in employment in the second quarter of 1994. The LFS has consistently shown greater rises in employment than the

Jobless levels fall in every region



Source: Department of Employment

Claimant unemployment has now fallen for eight consecutive months, and by an average of 25,600 over the past six months, easing earlier fears that the rate of decline might be slowing. The Department of Employment said its estimate of the trend rate of decline was 20,000 per month.

However, unemployment is not falling as fast on the International Labour Office figures as it is on the official definition. Rather than measure claimants, the ILO statistics record those who say they are available, or looking, for work On the ILO measure, unemployment fell just 11,000 between spring and summer.

The Department of Employment said the smaller fall in

ously classed as economically inactive had become suffi-

ciently encouraged by the

improved economic situation

to start looking for work. The number of vacancies at Jobcentres rose by 2.400 to 165,900 in September, the highest level since August 1990. However, this figure is well below the peak level of 263,000 during the mid-1980s

Employment in manufactur-

ing rose by 9,000 in August, the second consecutive monthly increase. However, manufac turing employment is still 34,000 lower than in August 1993. Overtime working in manufacturing increased slightly to 8.72m hours per week, while short-term work-

'is faster than

reported'

By David Goodhart, Labour Editor

Real wages are rising much faster than employers or the government are acknowledging, according to an analysis of the latest pay and inflation figures by Mr Chris Trinder of the Chartered Institute of Public Finance and

Mr Trinder said yesterday that real wage growth averaged 1.4 per cent in 1993-94 but could be as high as 2.5 per cent in 1994-95.

"When inflation rose from 1.4 per cent in November 1993 to 2.6 per cent in June 1994, earnings also increased from 3 per cent to 3.75 per cent. Now, despite inflation falling by 0.3 per cent in the third quarter of 1994, earnings remain flat and recent settlements, for example in the car industry, suggest that they will be higher in the 1994-95 pay round than in 1993-94," said Mr Trinder.

Last week Rover Group announced a pay increase of about 10 per cent over two years for its 33,000 workers.

Mr Trinder also claimed that public-sector pay is increasing in line with whole-economy earnings at 3.75 per cent. "If the public-sector pay bill is frozen for 1994-95 but publicsector earnings are increasing by 3.75 per cent then more

Wage rise Manufacturers push up their ability to compete

British manufacturers have become much more competitive over the past year, record-ing a substantial rise in productivity and a fall in unit

Figures from the Department of Employment, published yesterday, showed that manufacturing output per head in the three months to August was 5.3 per cent higher than in the same period of 1993.

Over the same period, manufacturing wages and salaries per unit of output fell by 0.8 per cent. The fall occurred because output was growing

faster than average earnings. Three-monthly figures smooth out volatile movements and slightly flatter the August

Mr Eddie George, the governor

of the Bank of England, yester-

day said he thought bond mar-

kets were exaggerating the

inflation in the industrial

Mr George told the British-

American Chamber of Com-

merce that financial markets

were also probably exaggerat-

ing the likely pace and size of

the increases in short-term interest rates that might be

needed to keep inflation down.

countries, including Britain.

likely upwards movement in

By Peter Norman

output per head grew 4.9 per cent compared with the year before, while unit wage costs fell 0.3 per cent. Nevertheless, the Treasury welcomed the figures as showing that British industry was improving its ability to compete.

The underlying rate of growth of average earnings stayed at 3.75 per cent in the year to August. Apart from March and May, when it edged up to 4 per cent, the annual growth rate of average earnings has been steady at 3.75 per

cent throughout 1994. Within the earnings figures, however, there was a small rise in the production and manufacturing sectors. In both sectors. July's underlying annual growth rate was

Markets 'exaggerate' fears

about 8.77 per cent and money

markets were anticipating

bank base rates of nearly 6.5

per cent in December against

5.75 per cent yesterday.

Although the governor said he had learned to be cautious

before second-guessing finan-

cial markets, his own guess

was that the bond markets

were overdoing it a bit" in

He listed several reasons for

supposing that the effect on

inflation of the economic

expansion would be less than

• There was a policy consen-

sus on the importance of main-

taining price stability. Efforts

their views of inflation.

cent to 4.25 per cent, a figure which was maintained in August.

In the services sector, the annual rate of underlying earnings growth was unchanged at 3.5 per cent in August

The underlying monthly figures for average earnings smooth out temporary factors such as industrial disputes. The seasonally adjusted annual earnings rate in August was 3.7 per cent, down from 3.8

per cent in July. Mr Michael Saunders, UK economist at Salomon Brothers, said: "Average earnings growth has remained below 4.5 per cent for 19 months, the longest run of low earnings growth in the last 30

inflation is seen in statistics.

• Interest rates were high in

real terms, while money and

credit were growing slowly in

• There is - in Europe at

least - a "huge overhang" of

structural unemployment. One

result was that upward pres-sure on labour costs is likely to

Competition everywhere is

intense. This was an important

reason why inflation in several

countries had been lower than

be weaker than before.

the big economie

Russian companies The Corporation of London

City aims to woo

will take advantage of the Queen's state visit to Russia next week to promote the City as Europe's leading financial centre and attract Russian companies to London.

London has become a haven for Russia's new rich and an increasingly important centre for dealmaking involving Russian companies. Last month the Corporation helped the Chartered Association of Russian Commercial Banks to set were being made to cut fiscal deficits while central banks up an office in London and has encouraged Polish and Georwere aware of the need to gian businesses to set up centres in the City. tighten monetary policy before

The Corporation launched a trading initiative this summer in central and eastern Europe to promote the network of financial, legal and other facilities offered by the City.

DTI moves to end * pyramid groups

The Department of Trade and industry has moved to close down two more pyramid selling companies.

It has petitioned the High Court to wind up Powertag

The DTI claims that Power tag took over the membership of the Alchemy Foundation, a pyramid selling company wound up in July this year. with 8,000 members.

Investigators say Powertag continued "to enlist new members into money-making schemes which were incapable of making forecast returns to more than a small fraction of

those who participated."
The DTI also claims Headlogic took over certain assets for-

merly owned by Quillpunch. a company linked to Alchemy.

Tunnel go-ahead

An Anglo-French safety commission yesterday gave the go-ahead for the start of international train services through the Channel tunnel between London, Paris and Brussels. ted to start commercial ser-

As Mr George was speaking, than 200,000 jobs will have to Britain's 10-year benchmark ILO unemployment might be ing also rose to 0.29m hours because people who were previbe shed," he said. gilt-edged stock was yielding Early summer sales aid inflation figures

Economics Staff

A shift in the timing of this year's summer sales, supermarket price wars and a fall in the petrol price all helped to lower the annual rate of inflation last month. The Central Statistical Office

yesterday said that the retail price index rose to 145.0 last month, with 100 representing the prices in 1987. This was 0.2 per cent higher than the previous month, and

2.2 per cent higher than the same period last year, One reason for the lower inflation rate was that the cost of household goods, clothing and footwear rose by less in September than they did last year in the aftermath of the

summer sales.

price rebound after the sales largely occurred in August this year, instead of in September as last year. This shift in the timing meant that the annual rate of inflation for these sectors looked high in August but slightly lower last month.

Clothing and footwear prices, for example, grew 3 per cent in September, after rising 2.2 per cent in August. This brought the cost of footwear and clothes back to exactly the summer discounts, and the same level as last vear.

If the effect of the early price rebound is smoothed out by looking at a two-monthly basis. the figures show that the overall price swing in clothing and footwear was exactly the same as in the previous year.

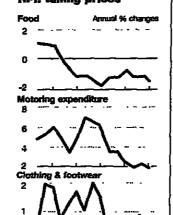
Household goods rose by 0.5 per cent in September, compared with the previous month, after a monthly rise of 1.6 per cent in August. These rises were slightly higher than the 2.1 per cent fall that occurred in the sales in June and July.

They suggested that retailers remained wary of raising prices in face of strong consumer resistance, analysts said. Indeed, some suggested that retailers were likely to be particularly cautious about raising prices with the new stock this autumn after a fall in retail sales last month.

Elsewhere in the index, food prices fell in September by 0.8 per cent, compared with August, with a 0.5 per cent rise markets, with non-seasonal food costs dropping by 0.4 per cent. But it was also flattered by a normal drop in seasonal food prices as a result of the harvests in Britain,

Motoring costs also fell, run ning 0.2 per cent below the level in August and 1.8 per cent above the same level last year. The key reason for this was a drop in the price of petrol, which had risen in August partly as a result of the oil strike in Nigeria. The yearly trend was also flattered by the fact that petrol prices rose last September.

Housing costs were 0.2 per cent higher in September than August, and 4 per cent higher than a year ago reflecting a outstanding mortgage debt.



Pensions rise set to top price growth

By Gillian Tett

State pensions could be raised next year at a slightly higher level than the current rate of inflation for pensioners' house holds, official figures yesterday

But family credit, income support and housing benefit are likely be raised by slightly less than headline inflation. The government uses Sep-

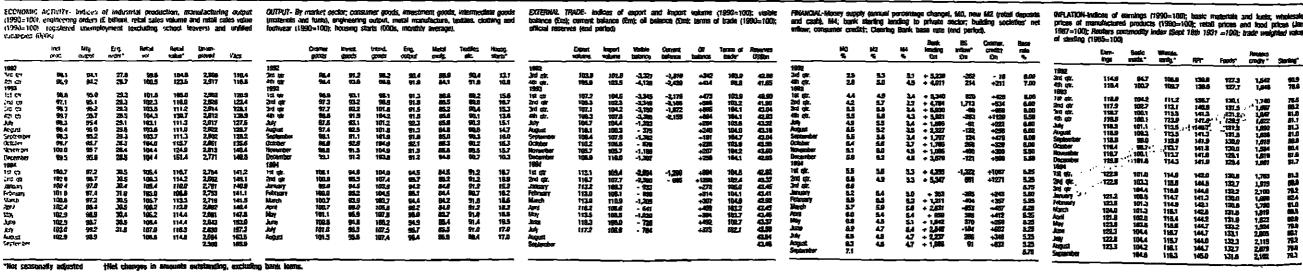
tember's inflation data each vear to calculate the rate at which some benefits should be raised next April, but employs slightly different measurements of inflation for others. State pensions, along with other payments such as unem-

ployment, maternity and sickness benefits, are raised according to the rate of annual growth in the all-items retail If the chancellor raises them

in the November Budget according to September's rate of inflation, next year's pensions should be raised by 2.2 per cent. This compares with a level of inflation for pensioners' households of 1.9 per cent in the third quarter.

Rises in family credit, income support and housing benefit are usually related to a different index known as ROSSI, excluding rent, mort-gage and council tax, which was 1.8 per cent in September.

The fall partly reflected con-**UK ECONOMIC INDICATORS**



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BELLEVER TORING

By Alan Cane Attacks on public-sector and private-sector computer systems by thieves, hackers and virus writers have

> pust three years, the Audit Commission said yesterday. The rise is a consequence of the spread of personal computers and computer networks but also the result of management negligence - managers are neglecting or refusing to put into practice measures which

increased dramatically in the

could contain or reduce computer fraud and hacking. The commission says the

total value of losses caused by computer abuse has risen by 183 per cent since the last survey - the average financial loss per incident caused through fraud now stands at

The commission reports on the incidence of computer abuse every three years. Its latest study - involving returns from over 1,000 companies -

dents of computer abuse commission range from an reported has increased from 12 per cent of organisations canvassed in 1991 to 36 per cent At the same time, there has been a 38 per cent increase in reported fraud and an eightfold increase in the use of illicitly

obtained software. The commission says: "No sector is immune from computer misuse and the opportunity for fraud and other forms of abuse presents a very real

employee who gained access to her own and her husband's debt records and reduced them, to a nurse who hacked into a hospital's computer system and prescribed potentially lethal drugs for one patient and altered treatment records for others.

The figures reported in the study will almost certainly understate the problem; organisations are notoriously shy of admitting incidents. The commission complains:

"Computer abuse occurs because of a lack of basic controls rather than any particularly sophisticated manipulation of procedures."

Management, it found, was not imposing adequate con-trols. It found almost 25 per cent of organisations had no internal auditing procedures, 60 per cent did not carry out security awareness training, 50 per cent had no computer audit skills and more than 80

There is a direct correlation between the incidence of fraud, the number of computers in use and the number of people who have access to the computers.

Measures taken during the recession to improve productivity may have made matters worse. The commission notes that as organisations use technology to reduce layers of management, they run the risk of removing controls and checks. Opportunity makes a thief. HMSO, £8.50

Ford to

mobile

phones

Griffiths writes.

offer free

to the fierce battle for new car

sales by offering a free mobile

telephone and connection to

the Celinet network with

almost every new car and van

sold from October 18, John

The company, which is

spending £4m to promote the

venture, said it expects at

in five of new Ford vehicle

Mr David Thomas, Ford of

phone market was a "jungle" with offers of "free" handsets

typically offset by very high

However, Ford itself is an airtime provider and says that

its line reutal and charges are

competitive with the rates

charged for handsets that are sold typically for more than

line rental and call charges.

Computer fraud shows sharp increase NHS hospitals 'selling land to fund repairs'

By Andrew Taylor, Construction Correspondent

More than a third of National Health Service trust hospitals expect to sell land or other assets to fund developments and repair programmes worth £1.27bn over the next two years, to a survey published today shows. The findings underline the

importance being attached by developers and construction companies to the government's private-sector finance initiative, which expects a growing proportion of the country's infrastructure to be funded from private sources.

The recent revival in residential and commercial property values has led to an increase in land sales and deals being offered by hospitals seeking funds to improve health facilities.

The study of the construction and property requirements of 178 trust hospitals by the Royal Institution of Chartered Surveyors shows that 34 per cent expect to use asset sales as their main source of funds for future developments.

least 100,000 buyers a year to take up the offer - about one Another 23 per cent expect to use finance raised from banks, easing arrangements or some other private-sector source to Britain's marketing plans manager, acknowledged yes-terday that the UK mobile telesupport investments.

Royal Brompton National Heart & Lung Hospital Trust recently announced plans to give away land and buildings

By Paul Betts.

Aerospace Correspondent

have to turn passengers away from the beginning of the next century unless an additional

runway is built to serve Lon-

don's two busiest airports,

according to a study commis-

sioned by the British Air

The report, which has not

Transport Association, the UK

new £900m terminal at Heath-

row and expansion at Luton

and Stansted will not be

sufficient to accommodate pas-senger demand in the London

area after the turn of the

additional runway capacity in

the south-east is dividing the

UK aviation industry. BAA,

the airports operator, and Brit-

ish Airways argue that there is

no urgent need for a new run-

way, while other airlines are

pressing for additional runway

capacity in the Heathrow-Cat-

ious to avoid any controversy

over a new runway undermin-ing the proposed development

of Terminal Five at Heathrow,

which will be at the centre of a

long and fiercely contested

public inquiry starting in May.

BAA has argued that Heath-

row requires additional termi-

Both BAA and BA are anx-

The debate over the need for

century.

wick area.

airline trade organisation.

Airports face

capacity crisis

on its prestigious Chelsea site to private bidders willing to develop and run hospital services. The successful bidder will be given the opportunity to redevelop a redundant clini-cal building and nurses' home. Construction groups submit-ting bids include George Wimpey, Tarmac and Sir Robert McAlpine.

Barratt, Britain's thirdlargest housebuilder, and Wat-ford-based Country Metropolitan Homes have announced a joint £100m development plan at Highlands Hospital at Enfield, north London, which is transferring to the nearby

Chase Farm hospital. Mr Christopher Vickers, construction spokesman for the institution. said: "Growing pressure on trusts to self-finance building and maintenance works means that they are having to develop new funding methods. Our research shows that this is increasingly likely to be obtained through internally generated sources. such as sale of assets, rather than borrowing from banks or cost-cutting exercises.

Some 86 per cent of trust hospitals expected to carry out some form of new building work over the next two years with nearly two-thirds of trusts planning to spend more than £500,000, emphasising "the pent up demand for repair and maintenance work in the heath

Estate agents pay price of boom years

Andrew Taylor reports on the background to Nationwide's sale of branches at three a penny

Few ventures illustrate more starkly the excesses of the late 1980s than the ill-fated purchases of estate agencies by banks, building societies and insurance companies.

Nationwide, Britain's second biggest building society, announced on Tuesday it was selling for just £1 a total of 304 estate agency branches acquired since 1987 for £120m. Nationwide had made cumulative losses of £80m at the branches taking the society's total loss to £200m.

Abbey National bank and Prudential Corporation made combined losses totalling more than £500m when they sold their estate agency businesses in 1993 and 1991.

A quarter of UK estate agency branches are estimated to have closed since 1988.

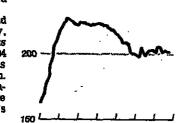
Yet the logic of wedding the financial services revolution to the housing boom seemed faultless in the late 1990s when estate agencies were among the busiest businesses in the high street; house sales were running at more than 2m a year and house prices were rising sharply.

People who bought houses also needed mortgages and insurance, argued building societies and banks. What better way to market the growing range of financial services than IIII moves; 3 to sell them all from the same shop? There was also a fear that if they did not buy estate agencies, other financial institutions would, cutting them off from potential mortgage sales

The rush to buy agencies prompted a feeding frenzy. The price of businesses soared as by how many branches they had. Nationwide paid an average of almost £400,000 for each of the 300 outlets it is now sell-

ing at three a penny. In 1988 there were estimated to be 16,000 estate agencybranches owned by about 11,000 companies. This is esti-

Price Index (1983=100)



mated to have fallen to about 12,000 offices owned by about 6,500 companies. Half of all housing transactions are handled by about 25 national concerns mostly owned by finan-

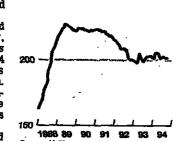
cial institutions. None of these appear to have anticipated the severity of the housing recession which saw sales in England and Wales fall from a peak of 2.1m in 1988 to 1.1m in 1992 and which are only expected to reach 1.2m this year.

UK house prices have declined on average by 10 per cent since the third quarter of 1989 according to Halifax, Britain's biggest building society and owner of 530 estate agency branches.

for agents who are paid only on completed sales and earn fees from commission based on a small percentage of the sale price. Incomes became insufficient to pay rents and rates on expensive high street properties and to meet salaries.

ing shots and in some cases started to bill sellers for advertising. Some refused to market properties they felt were unrealistically priced. Heavy pressure was put on sellers to reduce asking prices in a bid to

Housing: figures behind the losses



The fall has been disastrous

In a bid to curtail costs,

Transactions in England & Wales (m) director of Hambro Countrywide, which is acquiring the Nationwide chain, says his

company had been successful because it concentrated on selling houses rather than financial services. "In the past there was a

temptation by building societies to see a move into this business as an opportunity for more mortgage lending. Arguably this has been an expensive mistake " Building societies which

were generating a large slice of their loan portfolio from estate agencies may have found it more difficult to cut costs and close loss-making branches than smaller independents selling a single product. Nationwide says it won £2.5bn - representing 7.2 per cent of its mortgage business - over the counters of its estate agencies Mr Brian Davis, Nation-

wide's chief executive, says the disposal will allow it "to concentrate more effectively on our core financial services business." Hambro will offer Nationwide mortgages under a marketing agreement. Halifax, however, intends to retain its 530 estate agency

branches which it says generated a tenth of its mortgage business in the first half of this year even though Mr Harry Hill, managing the estate agency division ever, remains sluggish. A walk and a good photocopier.



Expensive mistake: once an average of £400,000 per outlet, Nationwide's has now sold 304 estate

itself made a £2m loss. "We are strongly committed to the estate agency business which will improve as house sales increase," said the soci-

The housing market, how-

down most high streets suggests there still may be too many agents chasing too few sales in an industry where the cost of entry for the smallest independent may be little more than the rent on a shop, a car

White paper due on rural areas

The government will publish a white paper on the future of rural areas by the middle of next year as a joint initiative between Mr John Gummer, environment secretary, and Mr William Waldegrave, agriculture minister.

The white paper will examine economic, social and environmental changes taking place in the countryside and

School opposition to tests 'easing'

The NUT teaching union yesterday said opposition to national curriculum tests in England and Wales among its members was easing.

This year the NUT was the only union to boycott the tests, following a ban on them by all three main teachers' mions last year.

It is canvassing its members after the announcement last month by Mrs Gillian Shephard, the education secretary, of a £30m package of concessions to ease teachers' work-

TSB strike off

Selective strike action planned by TSB members of the Bifu finance union was called off yesterday after the union

nal at Heathrow would enable BA to concentrate operations at its main London hub. Heathrow and Gatwick will

The report expresses concern that the campaign for the terminal risks delaying any government decision on a new runway. It says arguments that the government need take no decision on a new runway until well into the next century are "dangerously miscon-

ceived". The government is due to yet been published, warns that make a statement this year on set up to study runway capacity in the south-east.

"Our worst fear is that the government will take no decision and will be persuaded that the system can cope without any change for the time being," said Mr David Hopkins, the trade organisation's chairman and former head of Britannia Airways.

If the government were to sidestep the runway issue, it would delay any expansion programme by up to 20 years, he added.

This would give an advantage to rival European air-

The study says Department of Transport figures show that capacity at Heathrow was between 96.8 per cent and 98.5 per cent this summer and Catwick was between 95.2 per cent and 95.9 per cent.

Capacity is available at Stansted and Luton, but the study emphasises that airlines are mainly interested in serving

Tory MP for Dudley West dies

The government was yesterday faced with the likely reduction of its Commons majority to 13 after Mr John Blackburn, the Conservative MP for Dudley West, died of a heart attack

Mr Blackburn's death in the early hours of yesterday moruing leaves the Conservatives facing a by-election in a marginal Midlands constituency at a time when the party is trailing Labour in the polls. It reduces the government's majority temporarily to 14,

but Labour would be disappointed not to make further inroads by overturning the majority of 5,789 that Mr Blackburn find in the 1992 general election. Such a result would make it even harder for the govern-

ment to push controversial legislation, such as the planned Post Office privatisation, through parliament. Mr Blackburn, a former policeman and one-time sales director of Solway Engineering, was stanuchly loyal to the party line throughout his 15-

year parliamentary career.

Report fuels homes-for-votes row population. He said: "I think they decided to re-interpret

Pressure on Westminster City Council will intensify today with allegations in a BBC television documentary that councillors were misled over the contents of the consultants' report used to justify the council's controversial housing poi-

Public hearings start next week into the district auditor's provisional report that Westminster sold council houses between 1987 and 1989 in a

deliberate attempt to bolster the Conservative vote in eight marginal electoral wards. the district auditor, described this as "gerrymandering", and ruled provisionally that five councillors - including Dame Shirley Porter, Westminster's

in January, Mr John Magill, former leader - and four offi-cers should be surcharged £21.25m to repay the money

wasted on the policy. However, the BBC documentary, First Sight, claims that the policy was part of a that Westminster was losing

"long-term objective" to "socially engineer the city's population". It produces a council document from September 1986 which says: "The sale of council properties offers little opportunity to socially engineer the population of Westminster. This should remain a long-term objective."

A Conservative councillor, Mr Anthony Prendergast, told the programme that councillors were misled over the findings of a report which found

some of the conclusions to suit their own means . . . trying to obtain a population which is more likely to vote Conserva-tive than Labour." Yesterday, Mr Peter Bradley a Labour councillor and one of the objectors to the policy who

first called for the district auditor's investigation, said: "I just think it's a sad reflection on the state of the Conservative party that it's taken him this long to speak his mind."

nal capacity but will not need additional runway capacity until about 2015. A fifth termiaccepted an annual pay award Heathrow and Gatwick. of 2 per cept.

Old ideas on benefits get dressed up in new clothes David Goodhart on cynicism over a new allowance unveiled to the Tory faithful

The Jobseeker's Allowance, the new benefit which will combine Unem-ployment Benefit and Income Sup-port, was yesterday being paraded around the Conservative party conference. But in the Jobcentres there is confusion about what it will mean, and a certain cynicism about how much of the proposal is new.

Mr Michael Portillo, employment secretary, and Mr Peter Lilley, social security secretary, both stressed yes-terday that the allowance is part of a tough new contract between the unemployed person and the state.

Mr Portillo told the Tory faithful: "We shall ask those seeking a job to

make a bargain with the taxpayer: to

commit themselves to follow a solid

programme of action directed towards getting work. They must agree to apply for jobs, go to interviews, attend courses, [and] get re-trained." This emphasis on the contract and

on the fact that an unemployed per-son can turn down a job offer or a training place only if he or she has very good reason is the closest Britain gets to the idea of working for benefit, or workfare. But Mrs Margaret Walker, manager of 12 Jobcentres in south-east

London, points out that her officials can already, after 13 weeks, take

away benefit from people who are turning down jobs or making insufficient effort to find work. Taking away benefits happens rel-

atively seldom. Mrs Walker says said that only just nine people in her area – which includes some of the highest levels of unemployment in Britain - have been refused benefit for turning down a job offer this year out of 53,000 unemployed.

The number is small not because staff are "soft" - the figures are similar all over the country - but because of the relatively long procedures and the fact that few claim-

ants will allow the process to get to the final stage.

The idea of the contract between

claimant and the state is a development of an existing idea. Mr Robin Smith of Greenwich Jobcentre in south-east London said: "We already have back-to-work plans that a claimant must sign, so we are a bit puzzled about what all the fuss is about.

These back-to-work plans are tailored by staff to each individual claimant. They may, for example, require a claimant to visit a Jobcentre twice a week and to make a

certain number of job inquiries. The cynicism of Jobcentre staff towards the more political aspects of the allowance does not mean they are opposed to it. Mrs Walker said: "It has been causing some anxiety because so few details have been released so far. That should end next month when a white paper is published, with a view to the new benefit being introduced in April 1996.

Anything that brings the Benefits Agency closer to the Jobcentres -part of the Employment Service - is welcomed. Jobcentres are now responsible for Unemployment Bene-

Jobcentres also act as agents for the Benefits Agency in paying the most important benefit, Income Sup-port. This is complex and governed by different rules to Unemployment Benefit, and claimants often have difficulties Jobcentre staff cannot solve. The new allowance will mean more Benefits Agency staff in Job

Merging the benefits will be a relief to most claimants and staff. But it is a long-overdue technical reform, which cannot stand the weight of political rhetoric being placed upon it.

Conference reports, Page 12

BRITISH AIRWAYS

The world's favourite airline

Muzak to the ears

the Apollo lunar spacecraft and it was the last thing to be switched off in the American embassy as the US evacuation of Saigon reached its climax. Muzak, 60 years old this month, is

to its critics inextricably linked to "elevator music" - where Mantovani meets Liberace in achingly bland disharmony. Yet thanks to Muzak's thousands

of clients, who consider customised music more as a sales tool than noise pollutant. Muzak's product is far from being stuck between floors. Invented by Major General George Squier, a retired US army signals officer, Muzak began as a dance medley service, played down telephone lines to subscribers for 11

cents a month. The notion of piped music was later seized on by the US's newly-in-fluential industrial psychologists, who saw it as a cost-effective way to increase productivity in the work-

As worker motivation appeared to improve with melody, so too did the enthusiasm of shoppers who appeared to linger longer and spend

Following a series of successful Muzak experiments in big New York stores, a national phenomenon was under way.

Now, Muzak's 12 channels - only one, the "environmental music channel" could be described as elevator music, the rest being anything from contemporary jazz to the Rolling Stones - have spread to air-

Virginia Matthews considers the arguments for background music everyone loves to hate

as well as to the waiting rooms of has invaded the UK is entirely the doctors and dentists. Piped music has also spread to

switchboards, which play the "hold music" that is designed to soothe irate callers, but which often raises, rather than reduces blood pressure

Curiously, Muzak has failed to thrive in Britain. For while its name is a by-word for those who dislike background music, the self-proclaimed "audio icon" and

work of others. Be it "acid jazz" music played full pelt at fashion retailer French Connection, or Tommy Steele's Little

White Bull keeping the tiny punters amused at Mothercare, retailers instinctively know what appeals to their own target audiences. Or do

Ritter, who hints that a signifi-cant UK franchise deal is imminent, argues: "Nothing comes close to the

"Our research indicates that the majority of the customers who notice it feel that the music adds to the enjoyment of their shopping trip"

"tunesmith" from Cleveland Ohio, has not been in the UK since the early 1980s, when its last UK franchise ran out.

"We are used to being blamed for all background music," says Leslie Fitter, the company's director of

"But as far as Britain goes, Muzak is blameless.

While Muzak continues to supply tapes to more than 200 international franchisees, mostly broadcasters, who receive the soundtracks via a craft, hotel lobbies and restaurants, satellite link, the piped music that

expertise of a company that has spe-cialised in business music for 60 years. "It's fine for a store manager to bring in his favourite CD, but no one should pretend that any real thought goes into it.

"Our service begins with a full consultation with a senior Muzak executive who finds out the demographic profile of the company, its desired atmosphere and how it is currently perceived.

"We then recommend a pro-

customised programme of marketing messages for use inside the store or on the switchboard."

If and when a deal with Muzak is struck in the UK, the full power of Muzak's service will be unleashed: everything from the hitline channel of today's top pop tracks, to the classical channel, country and western and oldies - a blend of 1960s and 1970s music that seems to go down so well with baby boomers.

If piped music is genuinely unpopular with consumers, as its critics would have us believe, why do so many retailers continue to use

music" and in-store piped music, says: "If music was a real irritant to our customers there is no way that we would play it. After all, the idea is to open wallets and purses, not to get them slammed shut. "We believe that what people actually object to is this fashion for

Harrods, which uses both "hold

elevator music or meaningless noise, the sort of thing we would never play in our elevators or any-where else for that matter. 'What is appreclated is music

that is appropriate to the department . . . anything that adds to the ambience, rather than distracting from it, is welcomed by our custom-

While Harrods plays it safe by having music-free zones on the ground and first floors and in the lift areas, Mothercare's music is unmissable throughout the store.

"Our research indicates that the gramme that both meets the firm's majority of the customers who notice it feel that the music adds to



NO, PLEASE - PUT ME ON HOLD A BIT LONGER!

I JUST LOVE THE REGGAE VERSION OF

the enjoyment of their shopping

trip," says Mothercare. While 1990s industrial psychologists are less mesmerised by the power of music than their 1930s counterparts, Muzak's claims continue. The latest research from Cleveland suggests that piped music increases the number of

till by 17 per cent. In another study, two-thirds of customers say that Muzak is prefer-

able to silence, adding that customer service is "bound to be better" in piped music stores. But of the consumers who walk out of stores or hang up just as soon as Greensleeves starts up? Not a

music needs and possibly includes a Face to face with the interactive future

The techno-buffs may be talking excitedly about the convergence of technologies, interactivity, the informa-tion superhighway and so on. But for many, the concepts are absurdly futuristic and are to be feared. At the opposite extreme, some consumers are already bored even before the technology has

become a reality. Consumer attitudes will clearly affect how new media develop, who users are and how much influence advertisers will be able to wield. Researchers at the London office of advertising agency Ogilvie and Mather decided, therefore, to explore through discussions with groups of consumers, what attitudes are forming.

To begin with, the very notion of "convergence" between televisions and computers appears to be distasteful to many.

Diane Summers finds consumer attitudes can affect the development of new media and the influence of advertisers

ing to push them apart. The group discussions highlighted the way in which the computer is seen as synonymous with work, while the TV equates with leisure. The last thing many people want is for the two to be confused - a fear particularly

strong among "techno-literate" consumers. The research, which was conducted for O&M by the Hallam Hopper group, was unveiled yesterday. Four sets of group dis-cussions, each of three hours duration, were held with British adults, while two, two-hour groups of 13 and 14-year-olds were also held. Researchers also talked to 16 and 17-year-old "computer literate" young adults. All groups had access to, for example, CD-Rom, and were able to play

games, expiore a 3-D atlas and thumb through an interactive Argos shopping cat-

The groups were also shown a futuristic film of a world where portable screens would be used to conduct a face-to-face meeting, go shopping, carry out an operation and redesign a building. The technology which was presented through a soap opera-style story in the film, still appeared to leave room for traditional family values

and meaningful personal relationships.

Not surprisingly, some of the discussion group members found it difficult to project themselves into such scenes or the science fiction realms of, for example, virtual reality. Others were cynical about the differences that would be made to their lives.

Beth Barry, O&M planning director, says this cynicism is born of experience: "Ten years ago we were told everybody was going to have hundreds of channels on their television and that video recorders were going to change our lives because we'd all be timeshifting." The reality is that only about 17 per cent of UK households have cable or satellite and video recorders are mostly used for watching prerecorded films, she says.

People's ability to reduce everything to a "so what" should never be under-estimated, says Barry. There were comments from the group such as: "So you can tap into your TV and order up a bottle of

Dettol. But, in the end, what you're left with is still a bottle of Dettol.'

The technology might be perceived as mundane in certain respects, but the group discussions also unearthed the usual fears about "the machines taking over" expressed by the adult technophobes. There were also fears about drowning in information, as well as losing high-quality British TV and the surprises it can offer.

The positioning of converging technologies are vitally important to advertisers whether, for example, entertainment services, home shopping and banking are seen to be extensions of the TV or the computer. If consumer perceptions are that the information superhighway will be routed

principally through the TV then the mass market is there to be tapped. However, if advertisers seek the more up-market audiences, there will be more benefit in empha-sising the technology's computer pedigree.

Red card for rules on TV sport

overnment restrictions which prevent Wimbledon, the FA Cup and other big British sporting events being shown on a pay-per-view basis on UK television should be scrapped, a discussion paper argues today.

In the current edition of Consumer Policy Review* Philip Cullum, manager of policy research at the Association of Consumer Research, says the "listed events" rules introduced under the 1990 Broadcasting Act work against the interests of consumers". They do not, for example, require consultation with consumer groups on content of the list or grant consumers rights to see events on television. Instead they protect established broadcasters against satellite and cable

company competition. Cullum says that by handing exclusive rights to terrestrial broadcasters - instead of simply removing exclusivity from the reach of pay-per-view channels the rule could deprive viewers of innovative new services.

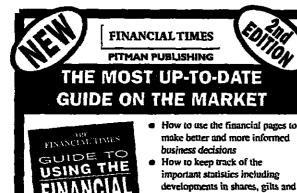
He also argues that the system is anomalous - if Scotland played England at football in the 1996 European Championship final "the game might be shown on a pay-per-view basis, but if Lithuania meets Liechtenstein in the next World Cup finals the match could not be shown on a pay-per-view basis".

At present satellite broadcasters like BSkyB, in which the Financial Times' parent Pearson owns a stake, only offer subscription channels. The House of Commons Heritage Select Committee, however, has recommended the relevant section of the 1990 Act be extended to such channels. Cullum says it may be appropriate to regulate televised sport in other ways. He thinks BSkyB's charges should be closely monitored by the Office of Fair Trading. *Published by the Consumer's

Association.

Tim Dickson

While the techno-buffs are striving to pull everything together, consumers are fight-**Market-Eye** 2N 071 388 1001 London STOCK EXCHANGE 130+ software applications O RT DATA FROM \$10 A DAY O Signal SOFTWARE GUIDE | 0 Call London (%) 44 ÷ (0) 71 231 3556 for your guide and Signal price list. Argus Fundamentals Understand what is driving oil prices Petroleum Argus CALL for a FREE TRIAL to this Mi



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CONTRACTS & TENDERS

ADVISORY CENTER FOR RUSSIAN OIL **EQUIPMENT MANUFACTURERS**

Expressions of interest are invited from firms able to help the Russian Ministry of Fuel and Energy set up an autonomous center in Moscow (i) to help Russian oilfield equipment manufacturers compete for approximately \$500 million of contracts under two World Bank-financed oil projects starting in November 1994 and (ii) develop other measures aimed at helping them increase their international competitiveness. Knowledge of API/ISO standards, familiarity with Russian and foreign oilfield equipment manufacturers and experience with World Bank procurement procedures are a must.

This project has the support of the World Bank which will work closely with the Ministry in establishing the center and supervising its work. If you are interested in further information about this important assignment, please contact Mr. A. T. Shatalov, Deputy Minister, Ministry of Fuel and Energy, Moscow, Russia, Fax. No. (7095) 220-56-56.

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proved. DATED this 5th day of October 1994

Name of company: BJM Engineering Limited. Registered No: 1384428. Trading name: BJM Steel & Engineering Limited. Trade classification: 46. Name

Liminet. I mue classification: 46. Name and address of joint administrative receivers: David Juhn Stokes and Edward Klempka, Coopers & Lybrand, 1 East Parade. Sheffield 51 ZET. Office holder numbers 2682 and 5791. Date of

PERSONAL PUBLIC SPEAKING Training and speech-specifies to be per almost be recommended to be recommended to

Notice of appointment of jobs: liquidators
Voluntary winding up
(Members or Creditors)
Parsum to section 100 of the Insolvency Act 1986
Company Number: 2021945. Name of company:
ASIT INVESTMENT TRUST PLC. Previous
name of company: MONEYSCALE PLC. Name
of business: lawestment Holding Company. Type
of liquidators; members. Address of regustered
officer. Hilligare House. 26 OH Bailey, London
ECH/d TPL. Liquidators names and addresses;
Malcolm John London, Coopers & Lybrand,
Hilligare House, 25 OM Bailey, London ECH/d TPL
and Adrian Richard Statusoy. Coopers & Lybrand,
Hilligare House, 25 OM Bailey, London ECH/d
TPL. Office holder munbers: 2022 and 2665. Date
of appointed: Members.

Secret Melander Version.

CELEBRATE LIMITED T/A Singapore Chinese Resto (M ADMINISTRATIVE RECENTERSHIP)

IN ADMINISTRATIVE RECEIVERSHIP)
NOTICE 6 HSRST CAVER paramet to section 4823 of the
institute, Act 1986, that a Areaing of the unsecured creations
of the above-moved combinery will be held at the offices of
States Rivack, 186. (or Associated Leations (EU) 2001, no the 21
day of Creation 1964, in 1,000 of color to the afternoon, for the
purpose of haring lade before 4 a copy of the report prepared
by the administrative receivers under section 48 of the said Act.
The meeting may, if it sharks by excluding a creation? Committee
to constitute the functions configured on 8, by, or under the Act. Creditors are only enabled to vote it.

At they have debiered to us at the Address shown above, no later than 1200 hours on the Disciness day before the megang, wrigen details of the debts they claim to be due, and the claim task been day admitted under the proposers of the Insolvency Rules 1906 and N PLODOCT AND N H COO

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PEOPLE

Pennington's flight path to Royal

a marketing specialist as man- and advertising. aging director of The Insurance Service, its direct writing Pennington, 49, will raise the

insurance arm. Sydney Pennington is a former sales and marketing executive of retail group Marks & Spencer and, more recently, former joint managing director of Richard Branson's Virgin

Royal was one of the first composite insurers to follow the market leader Direct Line Insurance by setting up a direct insurance arm; but competition has increased as others have started to sell insur-

Michael Sherwood, 29, one of

the driving forces behind Goldman Sachs' rise up the

Eurobond league tables, has

been rewarded for returning to

the fold by being made a part-

Sherwood, who quit Gold-man at the start of the year

only to rejoin the firm a

month later, and Richard Sharp, son of the late Lord Sharp, the former chairman of

Cable and Wireless, are two of

the 11 new London-based gen-

eral partners elected to the

Goldman is the largest pri-

vate partnership remaining

among the major US invest-

ment banking and brokerage

firms. Its partners are reputed to earn a minimum of between

\$3m and \$5m a year - hence

125-year-old partnership.

ner of Goldman Sachs.

New partners at

Goldman Sachs

Royal Insurance has appointed ance policies via the telephone

Royal Insurance is hoping profile of The Insurance Service, which started in 1988 and currently insures more than 400,000 private motorists and

households The time is now right, says Pennington, "to go into the next stage which will be a more rapid period of growth" He expects the company to develop and expand sales of new products, particularly in house insurance, and also to try to increase the amount of business it conducts with each

competition for the biennial

general partners, more than

Sharp, Goldman's new Lon-

don-based partners are: David Blood, Treasury, operations,

technology and accounting;

Zachariah Cobrinik, Japanese

equity link trading; Gary

Cohn, metals trading; Michael

Evans, equity capital markets;

Scott Kapnick, corporate finance; Scott Mead, IBS com-

munications and technology;

Kipp Nelson, derivatives triple

joint venture; Wiet Pot. Euro

share sales: Anthony Wil-

liams, derivatives triple joint

Linus Cheung, 45, (left) who took over as chief executive of

Cable and Wireless's Hongkong

Telecom business in March, is

to join the main C&W board as

an executive director on Janu-

ary 1. Cheung, who was born

in Hong Kong, joined the Swire

Group as a management trainee for Cathay Pacific Air-

ways in 1971 and spent most of

the next 18 years working for

the airline. In May 1989 he was

seconded to the Hong Kong

Government's "think tank" for

two years. He rejoined Cathay

Pacific in 1991 and had just

been appointed deputy manag-ing director when he was head-

hunted by Hongkong Telecom.

Apart from Sherwood and

ever before.

venture.

(See Observer).

customer.

With direct insurers breaking down the traditional method of buying policies via brokers. Pennington's previous experience in building customer links will prove helpful; at Marks & Spencer he was involved in the development of the group's "neighbourhood" food stores; at Virgin he helped develop the group's Mega-

One disadvantage Pennington faces is The Insurance Service's relatively little known brand name. Last year Royal Insurance began a pilot project using the title Royal Insurance Direct. For now, Royal Insurance appears content to run the two as separate operations; it believes that each may be able to target different client

ritual of elevation to the part-nership is fierce. This year Goldman appointed 58 new

Peter Hinchcliffe, 47, one of the founders of the Iceland frozen food chain, is stepping down as joint managing director, thus ending a 24-year partnership which started when he and Malcolm Walker, 48, Iceland's chairman and chief executive, opened their first shop in Oswestry.
Hinchcliffe (pictured in Ice-

land's warehouse at Shotton) and Walker were both deputy managers of Woolworth stores in North Wales; in their spare time they sold strawberries to passing motorists on the Horseshoe Pass. In 1970 they went into business full time and have built up a chain of almost 700 stores in the UK.

Hinchcliffe says he wants to reduce his involvement in the company in order to pursue other business interests. He will retire as joint managing director and deputy chairman at the end of the year. He will remain a non-executive director and has been retained as a

consultant for two years. He says he has no plans to reduce his shareholding of around 3 per cent in Iceland.

Cawthra quits Miller Group

David Cawthra is to step down as ceo of the Miller Group, the Edinburgh-based construction company, after three years in the post, and hand over to Keith Miller, a member of the family which owns it. His departure was by mutual con-

sent, the company says. Cawthra, 51, joined Miller Group from Balfour Beatty where he was ceo for three years having been with the company since 1979. He was appointed by James Miller who stepped down as ceo but remained chairman.

At the time Cawthra said he wanted to make Miller bigger "both in size and in its worth to the shareholders", and saw "big opportunities" for up and coming companies "which seem to have been hit less hard by recession than have the large ones". But Miller was not immune to the economic downturn and in 1993 lost £11.9m including exceptional items. Yesterday he said it "had

always been my expectation that a time would arise when it would be appropriate for Keith to take over and I fully agree that that time has now been reached". He has no new job to go to and will work at Miller till the end of the year.

The company sald both parties felt it was time for Miller to be led once again by a member of the family. Cawthra's departure did not presage any nasty surprises in the current year's results, it said. Keith Miller, 45, has been responsible for the group's

mining activities in the UK and US and yesterday learnt that Scotcoal, its joint venture with Ryan Mining, had been unsuccessful in its bid for the assets of British Coal in Scotland. He is also md of Miller Developments which handles all the group's commercial property ventures and investments. Educated at Heriot Watt and Glasgow universities, he has worked with Miller Group since 1976.

Keith Miller is the younger son of the late John Miller, one of the three founding shareholders of the Group and a first cousin of James Miller.

Graham Foster has been promoted to md of EVE GROUP; Garry Orpen, md of Eve Graham and Eve Arclive, has been appointed to the main board and Derek Haynes promoted to md of Eve



- ----

ray on rong his

return

Thursday October 13 1994

Although Bulgaria is going through a painful period of transition, it has managed to renegotiate its foreign debt and remains a force for stability in a turbulent region, says Anthony Robinson

Light at the end of the tunnel

After five painful and confusing years of political and economic re-adjustment, Bulgaria is heading for general elections which are likely to bring back into power politi-clans with their roots in the

communist past.

If so, this Balkan country of 8.5m people will be following a trend well established elsewhere in central Europe. In recent elections in countries such as Poland and Hungary, the political experience and party organisation of former communists have combined to defeat the inexperienced "dem-ocrats" who inherited the vacuum of power and bankrupt economies left by the collapse of Soviet hegemony over the

În some respects Bulgaria is ahead of the trend. The anticommunist Union of Demohelped oust the communist tion and largely controlled the regime and won the 1991 elections, collapsed 11 months later after losing an unneces-sary no-confidence vote.

The government which replaced it in December 1992, a non-party "government of tech-nocrats" headed by Lyuben Berov, a former university professor, was supported in parlia-ment by the votes of the Bulgarian Socialist Party (BSP), successor to the defunct communist party led for several decades by Todor Zhivkov.

Many Bulgarians interpreted this as allowing the BSP to regain power behind the scenes, ensuring that institutional, economic and other reforms were either delayed or implemented in a way which benefited the communist era managers and power brokers who retained jobs throughout the state and local administra-

In Yugoslavia, former Titoist

What is more, in contrast to Greece's nationalist claims in Albania and its mounting of a wounding trade embargo on the former Yugoslav republic of Macedonia, Bulgaria has professor and UDF leader. As a result, Bulgaria has remained stability in an otherwise turbu-

economy. Given the totalitarian nature of former party-state regimes throughout the region, such a development is unsurprising. The old system specialised in co-opting talent into its various sectors, leaving non-party people in subordinate or purely

technical positions.
Centuries of Turkish suzerainty and economic backwardness in the Balkan region retarded the development of a substantial middle class and modern institutions. This facilitated the subsequent re-imposition of feudal-type communist power relations under Soviet influence after the second world war.

Seen from this historical perspective, Bulgaria has per-formed somewhat better than any of its Balkan neighbours since the collapse of the Soviet

communists turned themselves into rabid nationalists and violently tore the country apart. In Romania, Ion Iliescu, a senior communist party official sidelined by the dictator Nicolae Ceausescu almost 20 years earlier, seized power after the palace coup of December 1989 and was able to legitimise his grip at subsequent

preached moderation and prac-tised good-neighbourliness under its pro-western presi-dent, Zhelyu Zhelev, a former an island of good sense and

Domestically, the much-maligned Berov government also ity and continuity to conclude debt reduction negotiations with both the Paris Club of official lenders and the London Club of commercial bank credi-

Before resigning at the beginning of September this year the government also concluded a smaller debt swap and repayment deal with Russia, together with a new trade and



The statue of Russian Tsar Alexander II, known as the "Tsar Liberator" for his role in freeing Bulgaria from Turkish rule, still surveys the Bulgarian perliament and Alexander Nevski cathedral in the heart of Sofia. Russia and Bulgaria are moving closer again, but now the links are mainly economic and the relationship is one bety

investment agreement. Under this agreement Bulgaria will become one of the

main transit routes for future exports of oil and gas from the Caspian region to the Mediterranean and southern European

The prospects for an increased flow of trade and investment between Bulgaria and Russia and other former Soviet states - especially Ukraine and the central Asian states - are linked to the expected economic revival of former Comecon markets which five years ago accounted for more than 80 per cent of Bulgaria's trade.

Now the proportion is between 35 and 40 per cent with more than half of Bulgaria's trade taking place with OECD countries. The aim is to. continue developing trade in both directions in order to avoid the over-dependence seen in the past on the former Soviet market

The combination of economic recovery in the German and other European Union growing trade on a new market-oriented basis with the middle east and former Comecon states is laying the basis for an export-led economic recovery after five hard years of declining production and real incomes.

For this to proceed, however, Bulgaria desperately needs more foreign and domestic

ernise its obsolete industries, improve the energy, transport and telecommunications infrastructure and complete the present structural shift towards a more modern ser-vice, food processing and light

industry based economy. In the short run, the recent sharp devaluation of the Lev, the Bulgarian currency, has improved the price competitiveness of Bulgarian goods and services, albeit at the cost of increasing inflationary pressures and further depressing real incomes.

Growth prospects have been aided by a sharp recovery in tourism, increasing transit traffic from Macedonia, higher foreign investment, and the first signs of recovery in the disorganised agricultural sec-

Overall, the economy is expected to show no growth or possibly a marginal rise in gross domestic product this year after five years of steep

While encouraging for the future, the first signs of eco-nomic recovery are unlikely to provide much of a "feel good factor" for most Bulgarian voters. Too often a free press and open political debate has led to a popular perception of pervasive corruption, criminality and political incompetence. The promised mass privatisa-

tion programme remains mired in technical detail while the unemployment, loss of social security and high inflation affecting many Bulgarians contrast with the high-spending lifestyles of the new rich.

A growing number of private business people are working hard to build up legitimate companies, living modestly and re-investing profits.

However, with the Serbian border just 50km from Sofia, the capital's refurbished shopthe same leadership that failed to retain power in 1992 and has ping streets, new restaurants lost many of its more compeand casinos have become filled tent and moderate leaders with large men whose swagger-ing walk and ostentatious The men to watch are the

Socialist Party's young genera-tion of politicians such as Zhan wealth is assumed to come rather from smuggling, drug Videnov, the party's 36-year-old trafficking or money launder ing than from honest toil and leader, and especially those from the BSP's social demo-cratic wing such as George Pirinsky, who are seeking to respectable entrepreneurial activity.
All this has brought the politics of envy back to Bulgaria, realign Bulgarian politics and reflected in the rising popularcreate a moderate, left of cenity of the BSP with its implied tre grouping in the future parpromise of a partial return to the security of the old regime

Above all, the need is to strengthen the rule of law and provide a level playing ground for the development of legitimate, tax-paying private business and to encourage the development of a responsible

Prospects for growth are improving, says Anthony Robinson

Ports are evidence of recovery

"If Bulgaria bad a serious government committed to rapid privatisation the economy would be in a much better state," is the standard reply to enquiries about the state of the Bulgarian economy.

under Its pro-western president, Zhelyu Zhelev

Bulgaria has preached moderation and practised good-neighbourliness

It is true up to a point. A weak government backed by former communists has been slow in embarking upon a transparent process of privatising, downsizing or actually closing the biggest loss-makers among the several hundred large enterprises which formed the backbone of the former centralised economy.

But although precious time has been lost it would be a mistake to conclude that the Bulgarian

economy has become POLAND a hopeless case. The high rate of clandestiffe asset dis-posals through thick den privatisation", a''a 17 per cent unemployment rate, the steady rise in the number of self-employed workers and new private compapies and a successful shift to new export markets in the west indicate that significant structural changes are taking

After four years of declining output and incomes, the economy has bottomed out and gross domestic product is expected to show no growth in 1994 and a modest increase in output and incomes next year, aided by rising demand from both Germany and the former Soviet market.

· The physical evidence for such a recovery can be seen on the bustling quays of Bulgaria's biggest Black Sea ports, Burgas and Varna, Forklift trucks load pallets of lead and zinc, bales of chemicals and rolls of coiled steel on to ships destined for middle eastern and western markets. Big investments are planned to increase container handling and refrigerated warehouse facilities and raise vol-

umes of oil and gas. Meauwhile, Bulgaria's large merchant shipping fleet of more than 2m dwt, which five years ago mainly served Bulgarian trade, is now 80 per cent bired out

to foreign shippers, earning much needed hard currency for eventual fleet replacement. Varna and other Black Sea ship-yards also report receiving more orders for new ships than they can handle without heavy new investment and better management methods.

Refineries and petrochemical plants, such as Neftochim on the outskirts of Burgas which has been working at half capacity for much of the past three years, also report sharply higher export and domestic demand, and higher profits. At Neftochim, the country's largest refinery and petrochemical complex, a Lv12m loss in 1992



was converted into a profit of more than Lv1bn in the first eight months of this year on sales of Lv25bn, compared with sales of Ly12.4bn in the whole of 1992, although inflation distorts the figures.

On the negative side, cumulative inflation over the first eight months of the year reached 65 per cent, about the level for the whole of 1993 and double the projected level agreed with the International Monetary Fund. The combination of sharp Lev develuation in March and August/ September and the resulting push to inflation has cut average wages in dollar terms to about \$75 per month, forcing many workers to take second jobs in the private sector to escape poverty.

The private sector now accounts for between 25 and 30 per cent of economic activity, although 90 per cent of industry is still formally in state hands and privatisation remains slow. Significantly, rapid

growth in the private sector, especially in tourism, retailing, financial and other services, is being matched by a patchy but noticeable recovery in parts of the state sector, such as steel, metals processing, shipbuilding, shipping and chemicals which have been hard pressed to survive since the collapse of Comecon markets. The prospects for growth have been

greatly improved by the successful conclusion of negotiations with Paris Club official creditors and the far more important London Club agreement at the end of June which reduced Bulgaria's \$8.16bn debt to a group of more than 300 western commercial banks



Thus far the London Club agreement, which re-opens Bulgaria's access to normal commercial

bank lending, has not led to the sharp rise in foreign investment and foreign bank interest which followed the earlier conclusion of Poland's similar debt reduction

But foreign equity investment has risen from just over \$100m to more than \$500m during the past two years and several small- to medium-sized investments are pending in the brewery, hotel and tour-ism, food processing and other sectors as the privatisation agency grinds through

Heavy infrastructure investment in telecommunications, roads, bridges, ports, pipelines and railway is also on the horizon as European and international lending agencies gear up to raise Bulgaria's profile as a key link in western Europe's expected fast-improving trade with the energy rich former Soviet states of central Asia and the middle east.

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BULGARIA 2

Privatisation has had limited success so far, says Anthony Robinson

Plenty of hurdles remain

Bulgaria's mass privatisation programme (MPP), based on the Czech model using vouchers and private investment funds, suffered a severe blow before it even got off the ground when the rival privatisation agency took more than 35 most promising state companies in the MPP list for direct sale to foreign and domestic

Legislation to set up the MPP was approved just before the government resigned, but Dimiter Stefanov, the executive director of the Centre for Mass Privatisation, admits that much technical work remains to be done before vouchers with a nominal value of 25,000 "investment Leva" can be distributed to those willing to pay Lv500 for privatisation coupons. Even then a big effort will be required to arouse popular enthusiasm for the

In the meantime Reneta Indjova, the tough-minded executive director of the privatisa tion agency, is forging ahead with privatisation by direct sale to investors, a method which has already privatised 30 medium- to large-sized stateowned enterprises, of which the biggest and most recent is the \$55m purchase by the German transport entrepreneur Willi Betz of a controlling 55 per cent stake in Somat. Europe's biggest trucking com-

The Somat deal, like most other deals to date, promises substantial future investment and job guarantees. But thus far the benefit to the Bulgarian

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from privatisation to date are probably no more than \$20m. But some \$1.5bn in enterprise debt has been written off as a result of privatisation while the prospects for penetrating new markets and attracting further greenfield investment have improved," says Ms Ind-

Meanwhile the agency is hoping that the recent foreign debt reduction agreements, with their provision for debt/ equity swaps, will stimulate the interest of foreign investors in state-owned assets with potential for growth once old debts are cleared and new management methods and equipment are installed. Ms Indjova is anxious to

"Hidden privatisation" has alienated a large but unquantifable amount of the choicest state or municipally-owned

speed up the process as much as possible, largely because the negative effect of delay is only too obvious. Given the slow-ness of formal privatisation, Bulgarian state and municipal enterprises have been subjected to a wave of "hidden privatisation" which has alienated a large but unquantifyable amount of the choicest state or municipally-

owned assets. "It is impossible to calculate the loss accurately, but hidden privatisation reduces the net worth of enterprises and is treasury from privatisation has reflected in rising inter-enterbeen limited. "Net revenues prise debt, the high level of

EXPRESSBANK

debt to commercial banks and ultimately adds to the budget deficit, driving inflation and crowding out the private sec-

tor," she says. Such "hidden privatisation" usually involves the formation of private companies to supply state enterprises with inputs at high prices and other companies take their subsidised output for resale at market prices. In this way enterprises accumulate inter-company debts and losses while allowing a new class of millionaire "biznismen" to cream off economic rents.

losses and privatising profits is widespread throughout the former Soviet bloc but has been most blatant in countries such as Bulgaria or Romania where the continuing influence of former communists, coupled with the weakness of the law and the inexperience of civil society has been most pronounced In Bulgaria's case what is popularly perceived as the 'mafia-isation" of the economy has been further stimulated by

the baleful side-effects of the

UN embargo on trade with

Serbia and the Greek embargo

on trade with the former Yugo-

slav republic of Macedonia. Small but powerful groups of Serbs, Macedonians and Bulgarians have made quick fortunes by smuggling oil, weapons and a wide range of other commodities across the borders by a variety of ingenious methods which mostly include



Indiova: anxious to speed up the process as much as possible

the bribing of police, customs and other officials at some

"The war in former Yugoslavia has been a disaster for Bulgaria. I seriously doubt whether a country like the Czech republic would be so law-abiding if it had borders like ours," says Alexander Bozhkov, the former head of Bulgaria's privatisation agency who now runs a private consultancy firm specialising in assisting foreign investors.

Perhaps the most pernicious result of the widespread suspicion in which the new business class is held is the confirmation of many of the old communist propaganda images of rapacious capitalists grinding the faces of the poor and the "zero sum" notion that wealth

is a stock rather than a flow so that one man's wealth is always at the expense of

Rising awareness of the dangers to future economic and social development of such widespread antipathy has spurred the more intelligent and genuinely entrepreneurial, rather than parasitic, members of the "new class" to try and change both the image and the reality of private business ethics and methods.

This became clear last month when a split developed within the ranks of the G-13, a group of 13 leading private business groups, which has now been reduced to a rump G

Lyubomir Gibinsky, the prime mover behind Prime Investment Trust, a holding which controls 40 companies and is a major shareholder in TSBank one of the largest and fastest growing private banks, led the breakaway.

"TSBank was a founder members of G-13 whose idea was to consolidate and strengthen national capital so that we could have a dialogue and proper partnership with foreign partners. But in practice some of the members interpreted this as a way of dividing up the market and to express their dislike of foreign

investors," says Mr Gibinsky. They also had a tendency to use "non-market methods" he added, a euphemism to explain the rash of car bombs, shootouts and beatings which have punctuated Sofia street life in recent months. "We decided to leave G-13 as our principles are free enterprise and fair competition, a North American not Latin American style of

Anthony Robinson looks at the political crisis

Early vote called for

anti-communist Union of Democratic Forces (UDF) government headed by Philip Dimitrov lost power and the country passed to the hands of a "government of technocrats" headed by Lyuben Berov – believers in a smooth transition to democracy were dealt a sharp blow. Since then the Bulgarian politics has been essentially on hold.

Mr Berov's government was supported by the parliamentary votes of the Bulgarian Socialist Party (BSP), the renamed home of the former communists, as well as the Movement for Rights and Freedoms (MRF) which is sup ported by Bulgaria's ethnic Turkish minority and, sporadically, by the splinter groups which have bived off from the two rival mainstream groups, the BSP and the UDF over the past two years of political drift and disillusionment.

Mr Berov held on to power long enough to oversee the successful conclusion of debt reduction negotiations with the Paris and London clubs of creditors. But the 69-year-old former professor, who recovered well from a heart attack in March, felt increasingly isolated from an electorate frustrated by lack of progress in building the institutions of a

In October 1992 – when the market economy and threatened by rising criminality. He survived six no-confidence votes tabled by the UDF over the past 12 months and resigned at the start of Septem-

> Zhelyu Zhelev, the president, immediately began negotia-tions with the two main politi-



One to watch: George Pirinsky, of

cal groupings, but they declined his offer to try and Both parties have been call-

ing for early elections, although a large number of individual deputies, doubting their chances of re-election and anxious to secure their pension and other privileges, privately express reluctance to go to the polls before the current parliamentary terms ends in October 1995. Some BSP leaders are also reluctant to assume power and responsibility while many acute social, economic and political problems remain

But the BSP's insistence that early elections are preferable to another interim government chosen by the president has more conviction than that of the UDF because opinion polls indicate that an early vote would bring the BSP back to power, albeit without the over-all majority needed to govern alone. This prospect is deeply distasteful to President Zhelev

who began his political career as one of the leaders of the UDF but disagreed with the policies and tactics pursued by Mr Dimitrov and ended as a critic of both leading parties.

In return the president, who now comes in second place behind the exiled King Simeon in public opinion polls, is criticised for his "byzantine" behind-the-scenes manoeuverings which in recent weeks included meetings with top military leaders to ensure their loyalty and impartiality in the tense months which lie ahead.

The partial disintegration of the UDF, an umbrella organisation which originated as a loose anti-communist coalition of nearly 20 groups and emerged as the largest political force in the 1991 elections, left the BSP as the largest single party in the present parlia-ment. The BSP has also suffered defections but still holds 99 of the 240 seats in the Narodno Sobranie, the People's Assembly, against only 78 for

the UDF. A further 19 seats are held by the ethnic Turk MRF with the remainder split between two smaller groups, New Choice, a handful of liberal conservatives headed by Dimiter Ludzhev and the Democratic Alternative for the Republic (DAR) a small centreleft party, plus about 20 inde-pendent, non-party MPs. The refusal of the two major

parties to form a government in succession to Mr Berov

obliged President Zhelev to make one final effort to comply with his constitutional duty by calling on Mr Ludzhev, the leader of "New Choice" to try his luck. The New Choice leader has been a close friend and ally of the president for the past 15 years. At the time of writing the outcome of his effort to form a government was not known, but the most likely conclusion to the crisis appeared to be new elections before Christmas, or possibly

Agriculture

Reason for optimism

Returning agriculture into private hands has so far been more of a disruption than a stimulus to production, and has not yet led to the expected revival of a sector which has declined in relative importance but still accounts for about one fifth of gross domestic product

and 20 per cent of employment. The dismantling of state cooperatives by government-appointed liquidation committees since 1991 initially brought chaos to much of the countryside. Farm output in 1992 fell by almost 15 per cent but now there has been a reaction to early excesses.

"Co-operative is not a dirty word, no matter how our politicians speculate with it," says Georgy Tanev, the outgoing minister of agriculture who has been in charge of this sector for the past two years. Bulgarians have been used to working in co-operatives for them, at least for another five vears." he adds.

He claims it is not just peasants who support new-style cooperatives but many UDF supporters also realise that they cannot survive without some form of rural co-operation.

Potential spotted by foreigners

Foreign companies have been quick to see the poten-tial in modernising Bulgar-ia's once flourishing food and agro-processing industries. The privatisation programme began with the \$20m trade sale of a maize products plant in Razgrad, north eastern Bulgaria to Amylum, owned by CIP of Belgium, Archer Daniels Midland Co. of the US, and Tate & Lyle of the UK.

They were quickly followed by other multinational food-processing groups including Kraft Jacobs Suchard and Nestlé, which acquired leading chocolate producers in Sofia, and Delta, a Greek food manufacturer, which invested in an ice cream factory in Varna on the

Danone of France set up Danone-Serdika in Sofia for the manufacture of dairy products while the Dutch company Frisoso reported to be interested in Bulgaria's largest diet and baby foods producer, Slancho. Danish investors are investing in meat-processing and several Austrian in turkey farms and asparagos growing. Apart from private

investment, western governmental aid and credits from the international institutions are also becom ing available for the agricultural sector. The World Bank's first agricultural credit – a \$50m loan to improve private sector access to medium and long-term credit - was negotiated by the ministry of agriculture earlier this year. It has not yet been ratified by parliament, however, because of political infights over the bank's requirement to phase out agricultural subsidies.

"Agriculture is one of the sectors with the most potential," says Andrew Kenningham, an economist who has spent several years as director of Bulgarian International Business Association, representing

Theodor Troev

[set up to dismantle the co-operatives) almost managed to liquidate our agriculture, especially stock-breeding." Mr Tanev says. Some of the committees lacked experience in agriculture and sold off the cooperatives' fodder before returning animals to individual farmers. Animals were also returned before land was redistributed and peasants had the

The Souhindol co-operative, set up in 1909, demonstrates how such a venture can thrive in market conditions

means to feed and breed them. As a result hundreds of thousands of pigs, sheep and cattle have been slaughtered over the past two years.

The 1991 land law aimed at the restitution of land to those who owned it before 1946 when the communist regime forced collectivisation on farmers. But about 60 per cent of the new land owners now live in cities and towns and many are unable or unwilling to return to farming. Some work their newly returned plots of land only at weekends, using spades and wooden ploughs. Lack of money and the small size of holdings usually prevent them from using machines.

According to Mr Tanev, the average size of the newly returned plots is just 1.6 hectares, too small for modern technology. "The new land owners have three options: to sell the land, lease it or form a co-operative with other owners." he says. But no real land market exists yet and leasing the land has not become a widespread practice due to the lack of proper legislation. "What remains is to form

new co-operatives," says Mr Tanev. He points out that cooperative farms in Bulgaria were not a communist invention. Some have a century-long history. The Souhindol co-operative

in central Bulgaria, set up in 1909, is a good example of how such a venture can thrive under market conditions. Through restitution, its prop-

erty has been returned to the former workers but the re-

"The liquidation committees formed co-operative has developed new meat processing works, bakeries, vineyards, and bought new animals. Representatives of the Bulgarian. American Enterprise Fund recently visited Souhindol and were surprised by its efficient operation.

Such success stories indicate that the sector can recover. Another reason for uptimism is the fact that the decline in stock-breeding has gradually led to higher meat purchase prices, giving fodder producers and animal breeders more incentives.

Powerful private groups. such as Prime Investment Trust, have started positioning themselves in the sector and executive director Ivo Ivanov says the group is preparing a programme for investment in fodder production, flour mills, sugar plants and meat process-

Agriculture ministry experts believe that the 1994 decline in output will be smaller than in the previous three years but UDF spokesmen, along with some western experts, believe that substantial recovery of agriculture will only be possible when people receive full legal title to their land. Only then will smaller plots be sold and consolidated into more viable farms. The free market, and not government attempts to reform the old co-operatives, should be the driving force, they add. It may take another year before land restitution is completed

Early last year, government officials said the land reform plan would be completed by the end of 1993, but this month agriculture ministry sources revealed that only half the farmland had been returned with the full title by the end of September and only 60 per cent will be returned by the end of this year.

Meanwhile privatisation of state owned agricultural enterprises is now moving ahead slowly. The ministry of agriculture has opened privatisation procedures for 90 units, but deals have been completed for only 30 so far, including pig farms, poultry farms, mills. machine repair works, and

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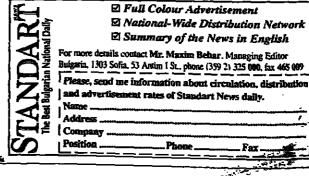
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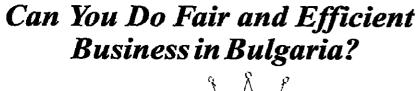
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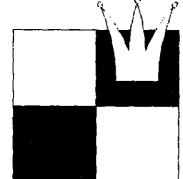
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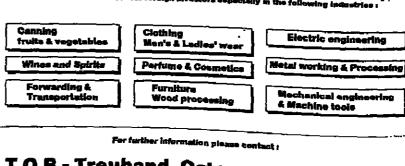
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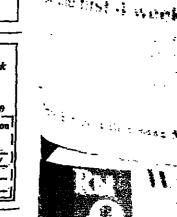
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Theodor Troev finds that prospects for the tourist industry are picking up

Western visitors lead the way

The Russians are back. enjoying their holidays in some of the best resorts along Bulgaria's sandy Black Sea coast - not shepherded in large groups as they were under the communist regime, but strolling around with the self-confidence of big spenders.

"Now everybody wants to attract Russians," says Dotko Dotkov, general director of Grand Hotel Varna, Bulgaria's only five-star hotel on the Black Sea, and the first to be privatised earlier this year. Ironically, it is often German tour companies that are bring-

Nessebur: one of the Black Sea's most popular tourist resorts

The sale of Bulgaria's most

prestigious Black Sea hotel, the five-star Grand Hotel

Varna, has been the biggest

privatisation investment by a

Bulgarian company to date. A

49 per cent stake was sold

earlier this year to Multi-

group, one of Bulgaria's most

powerful private holding

companies and Balkanbank,

one of the country's five big-

gest mainly state-owned

banks for Lev509m (about

Under the scheme adopted

by the privatisation agency,

employees were offered 20

per cent of shares at a prefer-

ential price and the remain-

ing 31 per cent were floated.

targeting a higher spending

segment of the market," says

Dotko Dotkov, the newly

appointed general director.

"As a private company, we

can develop a proper invest-

ment programme to upgrade

several floors with special

"Since privatisation we are

\$10m at the time).

ing the Russians back. Big market with cheap package operators, such as TUI, have holidays in block-like hotels. become aware of the reviving market in what was for decades the Riviera of the former Eastern bloc and their branch offices in Russia - better organised than local competitors - have been more suc-cessful than most in selling Bulgarian holidays.

But the recent increase in arrivals from the east has not yet reversed a trend which began after the collapse of communism. Until then, Bulgaria had been forced into the lower end of the mass tourism

Slow progress on sell-offs

vice and better promotion

through western tour opera-

In spite of resistance from

different groups, the privati-

sation agency has announced

the coming sale of other

hotels including the Vitosha

Grand Hotel Sofia, and

Rodina, as well as several

hotels in winter and spa resorts and some of the coun-

try's biggest Black Sea

resorts, such as Sunny Beach

and Albena, which are

Foreign groups such as

Daewoo of South Korea, Delta France, Holiday Inn, Ramada,

Radisson and Styles Hotels.

as well as powerful Bulgarian

financial and industrial

groups such as TSBank, Tron

and Multigroup have shown

interest while ITT Sheraton has applied to buy the Shera-

ton Sofia Hotel Balkan which

it has managed for the past

Years of recession and

offered for sale en bloc.

tors.

More than 60 per cent of tourists then came from Eastern

bloc countries. Since 1990, the number of Russian and east European visitors has dropped to less than 15 per cent of the total while western markets have picked up. The number of travellers from western Europe grew by 28 per cent last year when the overall number of visitors rose to 2.4m from 872,000 in 1992. Most of these come from Germany (with a market share of

more than 40 per cent) and

local tourism officials mean

sell-offs are not going

smoothly. Managers of state-

owned hotels and resorts fear they may lose their jobs and

claim privatisation will bene-

fit foreign investors by sell-

ing the most profitable hotels

at give-away prices. But west-

ern consultants emphasise

the need for speedy privatisa-tion. At present the 3,000 pri-

vate sector tourism-related

companies account for only

10 per cent of total turnover.

ian Airlines, the national car-

rier, which transports most

Rulgarian visitors with its

fleet of 58 aircraft is also up

for sale. The state will retain

40 per cent and at least 51 per

cent shares of the airline will

be left in Bulgarian hands.

The privatisation agency recently rejected an offer by

Avicon, an Austrian-Swiss

company, to provide know-

how but no cash for a 49 per

Theodor Troev

cent stake.

Meanwhile Balkan Bulgar-

Britain (with a market share of more than 25 per cent) followed by Norway, Greece, the Netherlands, Sweden and Den-

No official figures are available for this year but there is strong visual evidence of a sharp rise after a slow start. The main state-owned tour

operators. Balkantourist whose name until 1990 was synonymous with the country's travel industry, and Balkan Holidays, with subsidiaries in 17 countries, have reported increased demand throughout the season. Seaside and mountain resorts, which have started negotiating directly with foreign partners, as well as most private operators, also report a steady flow of business.

Tourism managers have started to pay more attention to the long-term image of the country and managed to prevent double-booking this sum-mer. Last year, Bulgaria received bad publicity when some customers of Balkan Holidays, the main agency for the UK, arrived on the Black Sea to find their rooms occupied by higher-paying German visitors.

Untapped opportunities exist in spa treatment. motor touring and green tourism, as well as in conference travel

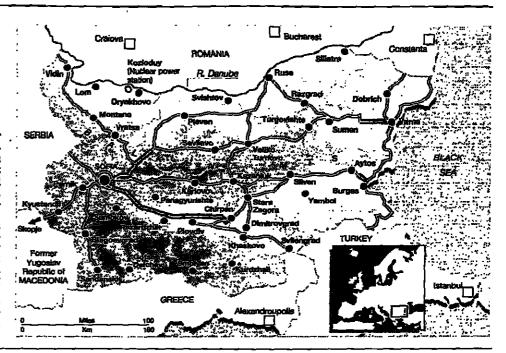
Problems of this sort are not uncommon at a time when Bulgaria's travel industry is trying to make the bold step from state ownership to free market and private initiative. The first steps led to chaos, largely due to the lack of a clear tourism policy and the power struggle between institutions such as the Committee of Tourism, the Privatisation Agency, and the still powerful managers of state-owned resorts and hotels.

Western consultants who have looked into Bulgaria's leisure industry identify drawbacks such as poor quality of service and infrastructure. some unsafe hotels and inhospitable airports. Only 6 per cent of the country's high class hotels were estimated to meet European standards. Substantial investment will be needed to upgrade them and attract a more up-market clientele.

But officials are optimistic about the long-term potential of the industry. The country is only just starting to promote its wealth of Thracian, Roman and Byzantine remains, monas

Apart from cheap summer seaside or winter skiing packages. Bulgarian tour operators can also offer special interest tours, focusing on traditional architecture, history, religion, arts, hunting and rural tour-

Picturesque little towns on the Black Sea such as Nessebur and Sozopol, built over ancient Thracian and Greek ports, now offer holidays in residents' houses matching Greek islands-style vacations. Untapped opportunities also exist in spa treatment, motor touring and green tourism as well as in conference travel.



Theodor Troev looks at progress in the telecommunications sector

Business users come first

ulgaria's responsibility for developing an elec-tronics industry under the former Comecon division of labour helps explain why the country ranks first in telephone density among the former socialist countries, with 34 lines per 100 population. But expansion from only 14 lines ner 100 in 1980 was achieved through obsolete analogue equipment whose design dated

back almost half a century. Bulgaria has now started modernising its national and international telecommunications infrastructure with plans for a digital overlay network (Don). These plans include 1,700km of optic fibre lines. microwave links, a new international gateway.

exchanges and the earth satellite station system Intelsat. Almost 50 bidders tendered for the first six projects within the Don programme. Siemens of Germany was awarded contracts for a new international digital exchange as well as trunk and local digital

long-distance exchanges, local

garia, Northern Telecom of Canada won a tender for an optical fibre line in western Bulgaria and Satellite Transmissions Systems (STS) of the US was awarded the contract for the construction of an Intelsat ground station. Sweden's Ericsson Telefon

was commissioned for the construction of trunk and local digital exchanges in southern Bulgaria while a contract for the installation of an optical fibre trunk line in the eastern part of the country was awarded to Alcatel Cable of France. A tender is expected shortly for the last project the building of a digital microwave trunk network.

According to Antony Slavinski - the Bulgarian Telecommunications Company (BTC) vice-president of network planning and implementation who is in charge of the Don programme - much of the equipment from western suppliers has already arrived. By the end of this year work on some of the projects will be almost completed. When all elements of the network are completed, by 1996, it will service 150.000 subscribers, mainly business users in larger cities.
Providing high-quality busi-

ness services is a priority. Profits from business subscribers will help generate more funds for the subsequent modernisa-tion of the residential network, which is expected to achieve European standards by the уеаг 2008.

About half of the \$300m needed for the Don project has to be raised by BTC. The remainder is being provided by the European Investment Bank Ecu70m (\$86.80m) - the World Bank - \$30m - and the European Bank for Reconstruction and Development -Ecu32m (\$39.68m). The loans have to be repaid in 15 to 20 years with grace periods of five

to six years. Modernisation will involve higher prices and the telecommunications authorities have proposed regular increases in telephone charges. Since May 1993, charges have also been affected by the rapid Lev depreciation and have risen by 150 per cent.

BTC says it is vital that tar iffs reflect costs as BTC owes foreign telecommunications administrations \$25m, but few Bulgarian customers realise that high-quality telecommunications is expensive and European standards can only be attained by heavy investment financed by higher prices.

Legislative delays remain a drag on progress. A draft law has been ready for two years but "by the time it is adopted by parliament, it will be outdated and will have to be amended", says Mr Slavinski.

"In order to carry on restructuring the sector, we use the golden rule that whatever is not forbidden by the law is allowed," he adds. Meanwhile telecommunica-

tions sub-sectors such as mobile, radio wave and cable links are being deregulated as national and regional licences are awarded to domestic companies or consortia including both Bulgarian and foreign companies. Each sub-sector is expected to have two operators in future - one private, and one controlled by the state.

Investment is forthcoming

been forthcoming both in services and manufacturing.

Betkom, the first western elecommunications joint venture in the country, was set up between the UK's GPT, a supplier of intelligent pay phones, and Bulgaria's committee of Posts and Telecommunications. GPT, a partnership between two of the world's leaders in telecoms - GEC of the UK and Siemens AG of Germany - holds a 41.1 per cent stake in Betkom.

According to John Murgatroid, Betkom manager, the growth of the joint venture

revealed plans for privatisa- ment worth \$437,000 has been largest cities with more than the components for the estabthe network. The number of card phones installed is expected to reach 1,000 by the end of the year, compared to just 100 in 1991. Betkom's first year of operation.

Another significant development is Bulgaria's first cellu-lar network which was launched earlier this year by a Bulgarian-British joint venture between Cable & Wireless (49 per cent), BTC (39 per cent) and state-owned company Radio Electronic Systems (12 per cent). Known under its trade name, Mobilion, the network provides direct mobile

Although Bulgaria has not since the initial equity invest- connections for Bulgaria's the country by 1998. Some of Mobiltel, a recently established consortium including

> tor to Mobilfon. The consortium has been licensed to build a GSM digital

Theodor Troev

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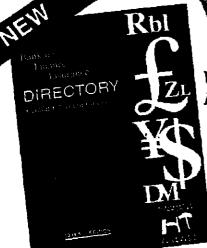
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Siemens. US West and the Bulgarian financial group Tron is emerging as the main competi-

cellular wireless network and plans to cover 80 per cent of

tion of the telecommunications on a self-financing basis - prof- 70 countries and has attracted lishment of the Mobiltel netsector, foreign investment has its are reinvested in expanding more than 4,500 subscribers. work are expected to be produced by Digicom, a joint venture between Siemens and Incoms Holding of Bulgaria for the production, installation, and maintenance of switching and transmission

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Better than a boring bike

xercise machines are bard work and time-consuming. They are also boring, which is why health clubs are turning to virtual reality. A US manufacturer has designed an exercise bike that allows the rider to interact with a virtual reality world displayed on the screen, using a colour monitor at eye level and thumb-controls in the handlebars.

The interactive, threedimensional graphics give the exerciser the impression of steering along bike paths, going up hills and entering buildings. The illusion is limited, partly because the screen picture is a cartoon-like representation and partly because it uses a monitor, which covers 60 per cent of the users' field of vision.

Head-mounted displays allow greater vision, but if used for more than 20 minutes they can make people feel dizzy. Moreover, the designers considered that putting on a head-mounted display that had recently been used by someone else taking vigorous exercise was unappealing.

The machine creates some illusions by, for instance, allowing the rider to lean left or right into turns and by changing the feel of the pedals, depending on the terrain. It also blows a stream of air across the face, which becomes stronger as the rider pedals faster.

The thumb-operated controls allow the rider to shift gears, brake, count miles and view progress on a map. The VRBike can be linked to several machines, so riders can exercise in groups or in competition. CyberGear of Cambridge, Mas-

sachusetts, designed the software, which is stored on a compact disc. The suppliers intend to develop discs with other land-

The bike, which was launched at a price of \$8,000 (£5,330) in the US in June, will be available in the UK at the start of next year. The manufacturers are Tectrix Fitness Equipment of Irvine in California.

Vanessa Houlder

ohn Sculley, former Apple chairman and chief executive, called it "the foundation for a renaissance of technical inno-vation that will impact the entire computer industry into the

21st century".

"Together we announce the second decade of personal computing," added Jack Kuehier, then president of IBM.

It was October, 1991. The executives from International Business Machines, Apple Computer as Well as Motorola's semiconductor group stood together on a San Francisco stage to announce a technology alliance many believed would create a formidable challenge to Intel and Microsoft, the PC industry duopoly.

IBM and Apple said that they would collaborate on a broad range of efforts to create a new "unified standard" for the next generation of personal computers. Motorola would be the chip supplier to Apple and to any others which might adopt the new standard.

Three years on, however, the vast majority of PCs are still based on the Intel-Microsoft combination of chips and software that IBM, Apple and Motorola aimed to overthrow. While the second decade of personal computing is well underway, IBM and Apple are still battling to defend their positions. The two companies that dominated the PC market in the 1980s now have a combined market share of only about 20 per cent.

Although the alliance is deemed a success by its three members, IBM, Apple and Motorola have so far failed to create the "unified PC technology standard" that was to be the centerpiece of their collabora-tion, the platform upon which they would mount their attack on established PC industry standards.

The technology partners got off to a strong start by delivering a family of microprocessor chips called Pow-erPC, based on IBM's Reduced Instruction Set Computing (RISC) technology and manufactured by IBM and Motorola. The chips are smaller, faster and cost less to produce than Intel's latest Pentium microprocessors.

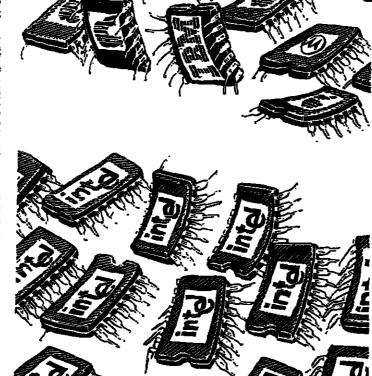
Apple Computer steamed ahead of its alliance partners, launching a new range of "Power Macintosh" computers based on the first PowerPC chips in March. The new computers have helped Apple to recover from shrinking sales and profits.

For Motorola, the alliance has provided the core microprocessor technology for a new generation of chips and salvaged its relationship with Apple - its only microprocessor customer in the PC industry.

Other computer manufacturers including Toshiba and Canon of Japan and Groupe Bull of France have announced plans to use PowerPC chips in future computer prod-

Louise Kehoe on attempts by IBM, Apple and Motorola to create a new standard for PCs

Working on unity



ucts. Motorola is also renewing efforts in the computer market with a range of "PowerStack" computers ed on the PowerPC chip, which the electronics company aims to sell

through third parties.

For IBM, however, the returns on sharing its chip technology with Motorola and Apple have yet to be realised. The introduction of its range of "Power Personal" computers was recently delayed, for the second time, until next year.

"PowerPC technology has capabilities that don't exist in the current speed," said Rick Thoman, IBM senior vice president and the new head of IBM's PC business, shortly before postponing the introduction of the Power Personal PCs. "But there are obvious negatives . . . because it does not have an estab-lished base of application software."

IBM's delay reflects a fundamen-tal weakness in the alliance strategy. Apple's "Power Macintosh" computers are not compatible with PowerPC computers designed by IBM and Motorola.

Despite sharing common micro-[Intel] technology in terms of processor technology, the companies' computers cannot run the same software.

Without software, a microprocessor is like a new car engine without wheels. It may be an impressive leat of engineering, but it is of little practical use.

"It all comes down to software, software, software," says David Wu, a PC industry analyst at SG Warburg.

To attract third-party software developers who can create applications programs for PowerPC computers, the alliance partners must first establish hardware standards that promise large volumes of compatible computers.
"It used to be that if you built a

better mousetrap - a faster micro-processor - then the applications would flood in. That is no longer true. They [software developers] are looking for volume," says Tom West, senior vice-president of advanced development at Data Gen-

The IBM, Apple, Motorola alliance was flawed from the start, he sugsts. "There is so much ego, corporate identity, and mythology tied up with their [microprocessor] chip agendas . . . Guys, you got it

Analysts believe that only by aligning computer designs more closely can IRM and Apple achieve the critical mass needed to attract a substantial portion of the software development investment that is made in the PC industry.

IRM and Apple have been joust-ing for several months on this issue, with Apple apparently resistant to changing the design of its Power Macintosh computers and IBM equally determined to make its PowerPC designs the industry standard. (Motorola's recently introduced PowerPC computers comply

with IBM's design.)
A breakthrough may be close.
The companies have intensified their efforts to reach an agreement and Apple said this week that it is "optimistic" about the outcome of ongoing talks. This has fuelled spec-ulation that IBM might cement its new pact with Apple with an equity

A common hardware design is critical if IBM. Apple and Motorola are to fulfil the promise of their 1991 alliance, enabling "Power" computers to run a wide range of applications programs - including those designed for Apple's Macintosh or IBM's new OS/2 Warp PC

operating system.
It could, however, take as long as two years for IBM, Apple and Motorola to alter their computer designs and complete operating system software development.

By then, Intel and Microsoft will surely throw new competitive challenges in the path of the alliance

New era for MS treatment

Daniel Green looks at two drugs which may slow down the disease

nitiple sclerosis patients and a handful of small V 1 drug companies developing treatments for the disease may be about to enter a

dem els Sufferers of MS - the second most common neurological disease among young adults – have this week been able to take heart from the results of clinical trials on two new drugs revealed at the American Neurological Association meeting in San Francisco.

Those results were good enough to make it likely that by 1996 there will be several MS drugs on the market, compared with just one today. None is a cure for the condition, but all appear to slow sharply the disease's progress.
For the suppliers, the results

herald a period of tough competition. The market will be worth \$1.4bn (£980m) annually by 1998, says stockbroker Lehman Brothers. The battle for that revenue will centre on the clinical trial results and the mesh of patents in the area.

There are four main suppliers: Germany's Schering which sells Betaseron, Israel's Teva with Copaxone, and Switzerland's Ares Serono/Biogen of the US, both

with beta interferon. For the past year only Betaseron has been approved for the treatment of MS. It works by interfering with the immune system, thought to be at fault in

Betaseron is made by genetically engineered bacteria and is not quite identical to beta interferon produced naturally in the human body.

Biogen and Ares Serono, on the other hand, use genetically engineered mammal cells to make beta interferon that is chemically identical to the human version. In principle, this should mean the drug works better in the human body with, perhaps, fewer side

The data published this week were the first large-scale trials, eta interferon and Copaxone. The results of the Biogen trial. on 301 MS sufferers, were probably not as clear as the

company would have liked. Direct comparisons with the results of earlier Betaseron trials are difficult because the drugs are not compared directly, only against

placebos. Side effects - flu-like symptoms seem to be fewer with beta interferon. But this could have been because patients in the Biogen trials were also given paracetamol (Tylenol) to depress their fevers. Furthermore the effectiveness of Biogen's drug was gauged by how fast patients' condition deteriorated - it slowed the progress of the disease by

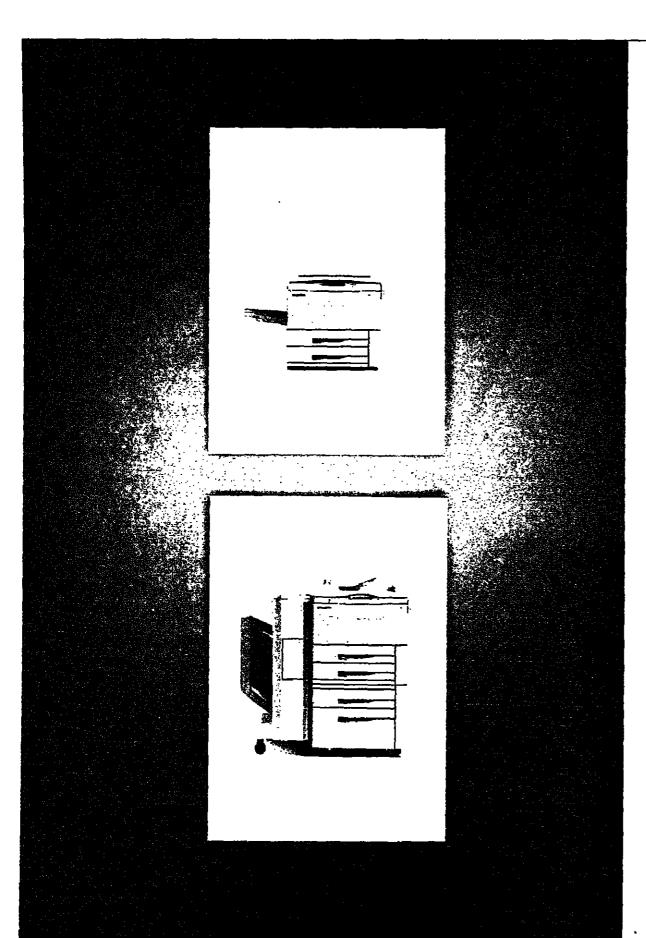
almost half. But Betaseron was tested by measuring the frequency of MS1 attacks. Here, however, there was little to choose between the two

drugs.
The US Food and Drug Administration and regulatory bodies elsewhere are likely to examine closely such data. Biogen, whose shares fell after the trials results were published. faces some tough questioning if it claims superiority over Betaseron.

The patents covering beta interferon also seem set to be fought over. There is a cascade of licensing agreement starting at research institutions in Japan and California and involving Ares Serono sub-licencing one patent to Biogen while Schering tries to use beta interferon (not Betaseron) in another disease area, hepatitis.

Standing aloof from this is Teva, the Israeli company, whose Copazone appears to work in a different and ill-understood way. But it too achieved only modestly encouraging results, cutting the number of MS attacks but by less than that achieved by Betaseron. It may be safer than Betaseron or beta interferon and could have a market for patients who have reacted badly to the other two.

The message that emerged from San Francisco was that the principle of interferons helping MS sufferers is good and life for those who take the drugs may get a little easier. However, the drug companies face a bruising battle with each other to win sales.



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Cinema/Nigel Andrews

Tottering totalitarianism

once saw a stage performance of Man And Superman in which the cast was taking its final bow when a large piece of background scenery began falling on them. "Look out!" yelled the audience. Just in time, the players turned round and caught hold of the offending flat

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A similar thing is now happening in Chinese cinema. Historical backdrops are getting larger and heavier in films like Farewell My Concubine, The Blue Kite and now Zhang Yimou's To Live - and instead of enriching the characters from a distance they tend to fall right on top

To Live takes place over 30-odd years of Maoist history - 1940s to 1970s - during which a poverty-racked couple (Gong Li, Ge You) lose their children, their livelihood and most of their emotional bearings in the onslaught of Great Leaps Forward and Cultural Revo-

Having gambled away his house in the opening scene, our hero breaks with his wife, takes up puppetry, gets swept up in the war between Communists and National-ists, then returns home to his spouse and deaf-mute daughter. Thereafter they surge more intimately across history's stage, while the movie's lessons in the evils of totalitarianism totter or topple over them like errant scenery.

The finest passages, in a movie never less than epic in its ambition, are when they hold the backdrops off: when Zhang allows the particular to grapple effectively with the panoramic. It can be the shot of a sudden bayonet piercing the white placidity of the puppeteer's screen, announcing the break-out of war in 1949. Or it can be the mordantly powerful scene of the daughter's sojourn in a maternity hospital.

Here the doctors have all been dismissed or jailed as "reactionary", so the trainee nurses must cope with the girl's haemorrhaging and hysteria. Finally a starving medico is dragged in his condemned man's placard still round his neck - and stuffed with buns while the camera swivels tragically, comically between one filming Mythic Events, so it adopts

mortal crisis and the other.
This is the Zhang of Red Sorghum and Raise The Red Lantern; a director of dark wit and merciless compassion, who knows that the absurd and the terrifying meet on the dark side of life's curvature. But To Live would have been a stronger movie if it had allowed quirky human reac-tion to compete more often with historical agenda. In the end we feel as much stunned as the characters by the long march of Chinese politics: though to underline that march's grim continuity Zhang himself, on the strength of To Live, is

> TO LIVE (12) Zhang Yimon

GERONIMO (12) Walter Hill

THE ADVENTURES OF PRISCILLA, QUEEN OF THE DESERT (15) Stephan Elliott

WAR OF THE BUTTONS (PG) Jon Roberts

> SPARROW (12) Franco Zeffirelli

currently banned from making another film in China.

Geronimo's time span is more modest; the last months of the Apache leader who for five years, with a few hundred braves, resisted capter of the control of t ture by a few thousand US soldiers. But Walter Hill is another filmmaker fighting off the backcloth of history. Overwhelmed by the burning rockscapes of Utah and the din of destiny, Jason Patric as cavalry officer Charles Gatewood, who secured Geronimo's surrender. makes a thin, inhibited hero. And Wes Studi's Indian, though chiselled of feature and sonorous of voice, often seems part of the landscape rather than the human world. The film has decided that it is

a cathedral tone. The script by John Milius and Larry Gross is literate, even Biblical. But we keep wishing the solemn Walter Hill (of The Long Riders) had been pushed aside more often by the kinetic Walter Hill (of Driver and Streets Of Fire), so the film could build on the hints of tantalising magic that break into the historical liturgy: the black-and-white flurries of dreamflashback that haunt Geronimo, or the hypnotic, fractured twanglings of Ry Cooder's music.

In the cast Gene Hackman (cav-alry general) and Robert Duvall (veteran scout) steal the acting honours. Duvall especially shows that grandeur grows from the particular: that history can be more eloquent when reflected in the tiny tic of an eye or the hitch of a tired man's lip than as an unwieldy cyclorama dwarfing or drowning the dramatis

Terence Stamp, wigged, frocked and lipsticked, takes his career in a whole new direction in the Australian film The Adventures Of Priscilla, Queen Of The Desert, Resembling a boot-sale Marlene Dietrich, the one-time British heart-throb plays a drag queen joining up with. two others (Hugo Weaving, ex-Neighbours star Guy Pearce) on a tour through the Outback, during which their bus breaks down.

At nature's mercy, what can they do but perform their numbers right there in the desert? So They punch out Abba to the Aborigines. They swap choice culture-shock epigrams. And they befriend a small town impresario (Bill Hunter), who falls for La Stamp at the expense of his Oriental performer-girlfriend, whose speciality is shooting ping-pong balls from an intimate

body part.
All this and eye-catching scenery
too. Writer-director Stephan Elliott, who underwhelmed the Cannes Film Festival in 1993 with Frauds, made up this year by stealing the entire event with Priscilla. The film should ideally be seen late at night with a crowd of well-wined friends. But once seen, never forgotten: especially the sight of Pearce sporting a billowing silver "train" as he

mimes to "Sempre Libera" on the bus's moving roof while sitting inside a giant stiletto heel. I have never been to Australia, but I felt that I had after this.

I have been to Ireland, but I never felt I was there in War Of The But-lons. Set in the present day, this tale of two villages and their chil-dren's gang rivalry feels like a 1950s film: that era when Scotland, Wales and Ireland, on the British screen, were fantasylands of rural inno-

cence dreamt up by jaded London. Here the writer and producer of Chariots Of Fire, Colin Welland and David Puttnam, not content with re-potting Yves Robert's original 1962 French comedy, also re-train it as a inspirational fable of detente. After much running, jumping and fighting, the two fugitive gang leaders - we somehow know that good will sonorously triumph - end up saving each other's skins on a mountain face.

Meanwhile debut director John Roberts tries to haul into compe-tence his cast of handpicked teenage unknowns. The best of these are the pintsized camp-followers, allowed their small ration of funny faces and throwaway comedy riffs But the seniors are a dull lot piped towards the uplifting finale by Rachel Portman's sub-Chieftains music and never helping to clarify for us - nor do Puttnam, Welland and company - whether this film is intended as an exercise in rural charm or children's comedy or universal moral improvement

But Franco Zeffirelli's Sparrow is by some way the week's worst: another gilded tussle between temporal and spiritual love like his Brother Sun, Sister Moon. Aspiring nun Angela Bettis, on convent leave during a cholera epidemic, falls for passing hunk Jonathan Scaech. Soon 1850s Sicily is melting into gilded visual goo reminiscent of a margarine commercial. While the camera does its soft-focus transports, guest stars Dennis Quilley, Valentina Cortese and Vanessa Redgrave try to extract some sensible dialogue - vain task - from the soft-headed script.



Pawns in the long march of Chinese politics: Gong Li and Ge You in 'To Live'

Theatre: down-and-out in Brezhnev's Russia, and a 'Binglish' version of Molière

Moscow Stations

n a suburban train from Moscow, Venichka Yerofeev is trying to get to Petushki. He has consumed an heroic number of vodkas since early morning, which seems down-and-out life in Brezhnev's Russia. Already - as perhaps always - he is gently, beatifically hleary, and as the stations go by he regales us with notes on his journey, anecdotes and reminiscences. Moscow is huge and bleak, and he has never actually managed to find the Kremlin there; in Petushki, however, jasmine scents the air and a lovely woman awaits him. As far as we can tell, he never quite gets

Venedikt Yerofeev was an intellectual drop-out whose short novel Moskva-Petushki was published in samizdat during the 1960s. In Stephen Mulrine's eloquent adaptation, it makes a rich, blackly funny monologue for Tom Courtenay (who did it first on Radio 3). The obvious comparison with Jeffrey Bernard is Unwell goes only a little way: though Moscon Stations is autobiographical too, Venichka has none of Bernard's cheerful malice, nor overtly, anyhow - anything of Louis Ferdinand Céline's scathing fury at the ruined life around him. Instead, like a holy fool, he

observes the bizarre, ludicrous and

pitiful things that go on around him kindly and dispassionately, from the safe depths of his alcoholic haze. The comedy is mordant, but it is not he who puts the bite into it. Though the drift of the narrative is as uncertain as u train, the images of moral and civic decay tell their own story. A closer model would be Diderot's once-famous Le Neveu de Rameau, in which another dissolute dissident floats through another collapsing

At the Garrick Theatre Tim Hately's stage furnishings are minimal (but crisply enhanced by lighting, sound and direction, respectively by lan Sommerville, John Irvine and Ian Brown). For almost two hours Courtenay meanders and stumbles with rubber-legged grace on a long. sharply tilted ramp, bare but for a crude bench. Without actorly displays, he conveys a whole, wryly baffled character and his milieu, in a vodka-sodden baritone that holds up beautifully to the challenge.

The Garrick is tolerably well suited to the show, though more intimate surroundings would be better. If you go, sit close: the wealth of pawky Courtenay touches that make it more than a staged radio monologue may be partly lost on the back rows.

David Murray

The Bourgeois Gentilhomme

atinder Verma Mughal transposition of Molière's Turtuffe for the National Theatre in 1990 drew universal plaudits. Now once more under the banner of his own Tara Arts company,

Verma's adaptation of The Bourgeois Gentilhomme is set in the French colony of Pondicherry in the southern India of the late 17th century. The merchant Monsieur Jourdain, ludicrously eager to elevate himself socially, here becomes successful fisherman Thirru Kaka Deen, hopelessly trying to buy in bulk the frills and furbelows, airs and graces which will unlock to him the world of the Annions, or French colonisers. In order to win his daughter's hand after Kaka's first snobbish rebuff, her suitor impersonates not the Great Turk but the Sun King himself.

Much play is made of Kaka Deen's desire to transform himself from a crow (the literal meaning of his name) into a peacock, and Vincent Ebrahim makes a fine strutting idiot, attempting to buy knowledge by the yard and discovering, in the original play's most famous aphorism, that he has been speaking prose all his life and never real-

Yet Verma's version is more than mere prose. He uses the term

"Binglish" (by analogy with "Bolhywood", the common coinage for the Bombay movie industry) to describe the fizzing East-West linguistic cocktail which his characters speak. The likes of Salman ing yikram S veyed the energy of this modern vernacular on the page, but hearing a classic French comedy rendered thus is another experience

entirely. The unaccustomed ear is never allowed to attune fully; Verma is alert to the possibilities of "Binglish" for ridicule, as Kaka Deen fails time and again to master the formal "received" speech of the nobles whose favour he craves, and lapses back into his altogether livelier "natural" lexicon.

his cheery verbal syllabub re-enacts the central message which Tara's production elicits from the narrative: that energy, happiness and truth are found in hybridity rather than in trying to attain a phoney allen propriety.

Kaka Deen is spoken of as would-be social "coconut" - brown on the outside, white on the inside - yet when the play reverts in the final moments to the modern frame in which Verma has mounted it, the question, "Are you a cocount?" is met with a joyous affirmative

The change and interaction of words and cultures is to be embraced: at one point a character quotes the central teaching of 20thcentury guru, Meher Baba; pauses; neats it and he ... because that is what we now associate with the phrase "Don't worry, be happy," that is what it

now means to us.

None of which is to damn the production as "worthy". The performance I saw managed (eventually) to seduce even a resolutely Surrey-commuter-belt audience at the Maltings, Farnham into going along with the larks. Molière's "comédie-ballet" is rendered with song (accompanied with an arsenal of percussion by Joji Hirota), dance choreographic consultant, Shobana Jeyasingh) and a kind of semi-improvised puppetry, which sees Kaka Deen exchanging flatteries with an aristocratic mango wearing a tricorn.

Verma's primary aim is celebration rather than profundity, and on that score The Bourgeois Gentilhomme succeeds comfortably, thank you.

Ian Shuttleworth

Touring; then Bridge Lane Theatre Battersea Oct 31 - Nov 19 (071 228



ATHENS

Megaron Sun, Mon: Isaac Stern violin recital. Oct 23, 24: Kurt Masur conducts Leipzig Gewandhaus Orchestra (01-728 2333/01-722

BOLOGNA

Testro Communale Sat, Sun: Giuseppe Sinopoli conducts Orchestra and Chorus of the Teatro Communale in Beethoven's Ninth Symphony. Mon: Vladimir Splvakov violin recital. The opera season begins on Nov 26 with a new production of Rossini's Il turco in italia (051-529999)

■ LONDON

THEATRE The Venetian Twins: a transfer from Strattord of Ranjit Bolt's new RSC version of Goldoni's 18th century Italian comedy, directed by Michael Bogdanov (Barbican n71-638 8891)

 The Sisters Rosensweig: Michael Blakemore directs Maureen Upman, Janet Suzman and Lynda Bellingham in Wendy Wasserstein's hit Broadway comedy about three American Jewish sisters who have a mid-life reunion in London (Old Vic 071-928 7616)

Tom Courtenay: a rich, blackly funny monologue Alestet Matt

• The Seaguil: Judi Dench heads a splendid cast in Pam Gems' new version of the Chekhov play. In repertory with a new production of The Devil's Disciple, Shaw's 1897 satire on melodrama (National, Offvier 071-928 2252)

 The Playboy of the Western World: J.M. Synge's dark, cruel Irish comedy, in a brilliantly perceptive production directed by Lynne Parker (Almeida 071-359 4404) The Winslow Boy: Peter Barkworth is ideally cast as the stiff

upper-lipped father battling Whitehali to prove the innocence of his son,

who has been expelled from naval

college. A well-made production of Terence Rattigan's well-made 1946 play (Globe 071-494 5065) The Queen and I: Sue Townsend's stage adaptation of her own best-selling novel in which the Royal Family are sent to live on a run-down housing estate. Max Stafford-Clark's Royal Court production transfers to the West End. Now previewing, opens on Mon (Vaudeville 071-836 9987) The Stab Boys Trilogy: the first London revival since 1982 of John Byrne's comic trilogy, which follows the lives of three Paisley boys from desperate youth to despairing middle-age. The three plays can be

seen individually or as a complete

The Children's Hour. Howard

package on certain Saturdays

(Young Vic 071-928 6363)

Davies directs the National Theatre's new production of Lillian Heilman's 1934 drama, about a venceful schoolgirl who accuses her teachers of having a lesbian affair and sets in motion the collapse of their world. The cast is headed by Harriet Walter and Claire Higgins (National, Lyttelton 071-928 2252) Once on this Island: a special

Caribbean environment has been created at the Royalty for Lynn Ahrens and Stephen Flaherty's fairy-tale musical about a peasant girl's doorned love for an aristocrat The Island Theatre at the Royalty 071-494 5090)

 She Loves Me: the charming
 1963 Masteroff, Bock and Hernick musical about two longtime pen pais who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinciair head the cast (Savoy 071-836 8888)

OPERA/DANCE Covent Garden The Royal Opera's new Ring production opens tonight with Das Rheingold and tomorrow with Die Walküre, staged by Richard Jones and conducted by Bernard Haitink. The cast includes John Tomlinson, Ekkehard Wlaschiha, Robert Tear, Poul Elming, Deborah Polaski, Ulla Gustatson and Jane

Henschel (next performances Oct

20/22, 25/29). Turandot returns on

Oct 24 with Gwyneth Jones in the

title role, and the Royal Ballet presents Anthony Dowell's new production of Sleeping Beauty on Nov 4 (071-304 4000) Coliseum English National Opera has new productions of Massanet's Don Quichotte (with Richard Van Allen and Alan Opie, next performances tonight, Sat and Mon) and Tosca (with Rosalind Plowright, next performances tomorrow and Tues). Nicholas Hytner's production of Die Zauberflöte is revived next Thurs (071-836 3161) Sadler's Wells Grupo Corpo, a company of 18 dancers from Brazil, is in residence till Sat. Oct 18-29: American performance group Momix (071-278 8916) Queen Elizabeth Hali Next Tues, Wed, Thurs: Lucinda Childs Dance Company. Oct 22, 23: Stephen Petronio (071-928 8800)

CONCERTS

Barbican Tonight: Michael Tilson Thomas conducts London Symphony Orchestra in Mahler's Fifth Symphony. Sat: Pinchas Zukerman directs English Chamber Orchestra in Bach, Mozart and Haydn, Mon and Wed (also Oct 22, 24, 26): Andras Schiff and friends present rarely-heard chamber and choral music by Janacek and Schubert, Tues: Lithuan National Philharmonic Orchestra plays Sibelius, Shostakovich and Tchaikovsky. Oct 25: Solti conducts the LSO (071-638 8891) South Bank Centre Tonight Charles Mackernas conducts RPO in works by Mozart and Richard Strauss, with hom sololst Jeffrey Bryant. Toright (QEH): Mitsuko Uchida plano recital. Tomorrow: Leonard Slatkin conducts Philharmonia Orchestra in works by Poulanc and Saint-Saens, with the Labeque Sisters. Sun: Andrew Davis conducts BBC Symphony Orchestra and Chorus in Berlioz's Romeo et Julietta, with Jean Rigby, John-Mark Ainsley and Matthew Best. Sun (OEH): Mark Elder conducts Orchestra of the Age of

Enlightenment in concert performance of Weber's Euryanthe. with cast headed by Christine Brewer, Mon: Franz Welser-Möst conducts LPO in Schumann's Scenes from Faust, with cast including Thomas Hampson and Margaret Price. Tues: Charles Mackerras conducts RPO in a Rudolf Kempe memorial concert featuring works by Mozart and Strauss. Wed: Alfred Brendel plays Beethoven piano sonatas (071-928

■ MILAN Teatro alla Scala Tomorrow, Sat, next Tues, Wed, Thurs: Riccardo Muti conducts Gilbert Deflo's production of Monteverdi's L'incoronazione di Poppea, with alternating casts including Anna Caterina Antonacci, Debora Beronesi, Luciano d'Intino, Nuccia Focile and William Matteuzzi. Sun: Vincenzo La Scola is tenor soloist with I Virtuosi Italiani. Mon: Ruggero Raimondi song recital. Oct 27: Georg Solti conducts London Symphony Orchestra (02-7200 3744)

PRAGUE

Ovorak Hall Tonight: Jiri Belohlavek conducts Prague Symphony Orchestra in works by Beethoven, Shotsakovich and Mozart, with cello soloist Jirl Barta and soprano Eva Urbanova. Sun: Boris Krajny piano recital. Mon: Wihan String Quartet. Wed: Stamitz Quartet, with violist Christian Schiller, plays Mozart, Smetana and Martinu. Next Thurs

and Fri: Vaclay Neumann conducts the Czech Philharmonic (02-2489 3352)

■ ROME The Orchestra dell'Accademia

Nazionale di Santa Cecilia opens its new season of subscription concerts on Sat with a Bach and Stravinsky programme conducted by Daniele Gatti (repeated Sun, Mon and Tues). Visiting soloists in the pre-Christmas period include Barbara Hendricks, Krystian Zimerman. Vladimir Spivakov and Cecilia Gasdia. The conductors' roster includes Myung-Whun Chung, Georges Prêtre, Christian Thielemann, Gennady Rozhdestvensky and Carlo Maria Giulini. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

TURIN

Teatro Regio The 1994-5 season opens on Sun afternoon with Donizetti's L'elisir d'arnore, conducted by Fabrizio Maria Carminati and staged by Vittorio Borrelli. The cast is headed by Maria Costanza Nocentini/Slivia Gavarotti, Alfonso Antoniozzi/Matteo Peirone and Claudio Di Segni. The season also includes Donizetti's La fille du régiment, The Nutcracker, Britten's A Midsummer Night's Dream and The Turn of the Screw, Verdi's Simon Boccanegra and Jérusalem, Mozart's Mitridate and Puccini's Glanni Schicchi and Tosca (011-8815 241/011-8815 209)

ARTS GUIDE Monday: Berlin, New York and

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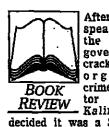
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NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230.

SUNDAY NRC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

Cowboys in the wild, wild east



After a year spearheading the Russian government's crackdown on organised crime, inspec-REVIEW tor Vladimir Kalinichenko decided it was a Sisyphean

struggle. "In this sort of environment. the people who were in official posts can still do whatever they want," a dejected Mr Kal-inichenko explained, after discovering yet another link between the gangsters he was meant to fight and the government officials he was meant to

serve.
Mr Kalinichenko is one of hundreds of Russians whose adventures in the new wild east convinced Stephen Handelman that gangster-bureaucrats have become the ruling figures in the new Russia. A bitter assertion - made timely by allegations that government insiders may have profited from this week's crash of the rouble - this is the subject of Comrade Criminal, Handelman's great, but depressing new book. Mr Handelman, who was

Moscow bureau chief for Canada's Toronto Star for five rs, contends that the promise held out by the collapse of communism exists no more. Instead of capitalism, Russia has turned to "frenzied profiteering"; instead of fairly applied laws and contracts. Russia has corrupt officials and business deals enforced through the barrel of a gun; and instead of democracy. Russia's future will be one of authoritarian rule or criminal

His book is based on travels through the arms bazaars of the embattled Chechen republic in the Caucasus, the bustling ports of tiny Estonia which, on the strength of metal smuggled in from Russia, became the world's sixth largest exporter of ferrous metal in 1993 - and the large defence plants of the Urals.

Gripping and lively, it is an account of mafia machinations and the generally fruitless efforts of honest cops and outnumbered democratic politicians to thwart them.

The democrats' struggle is a fight against history, suggests

COMRADE CRIMINAL The Theft of the Second Russian Revolution By Stephen Handelman Michael Joseph, £16.99, 360 pages

has already been "stolen", he

argues, and the comrade crimi-

nals - "the former nomenkla-

tura and their allies" – already

dominate President Boris Yelt-

Handelman takes a shot at

Mr Yuri Luzhkov, the litigious

mayor of Moscow, who has been accused of corruption in

the sale of the city's real

estate. Such charges against

Mr Luzhkov have never been

But the author only allu-sively and tentatively connects

his faceless comrade criminals

with real men in Yeltsin's

cabinet, with specific provin-cial government leaders still in

office or with Russia's

leading industrialists and

There are a few other, minor

quibbles. Handelman's asser-

tion that "Russia's post-communist uncertainty has been

duplicated in other countries of

the former Soviet Union and

eastern Europe" paints with too broad a brush. In Poland,

the Czech Republic, Hungary,

Slovenia and Estonia, many

former communists have trans

formed themselves into capital-

ists but, unlike their Russian

comrades described by Handel-

man, they are rapidly and will-

ingly learning to play by the relatively genteel western rules of the game.

Moreover, Handelman was

rash to predict that "there are

already signs of an exodus of western investors". On the

contrary, this year more than

\$3bn of western investments

have already gone into Russia.

disprove Handelman's argu-

ment about the basically

deformed nature of Russia's

new economy; in other emerg-

ing markets, and sometimes at

home, western businessmen

have shown no overpowering

aversion to working with crooks. But western investors'

rapid acquisition of the skills

necessary to deal with comrade

capitalists renders improbable

Handelman's concluding hope

that, alerted to the theft of the

second Russian revolution, the

west will somehow come to the

Growing investment does not

sin's cabinet.

financiers.

Handelman. The Bolshevik revolution of 1917 established a state ruled by communist comrades, who, faced with impossible production targets, used corruption to grease the creaky wheels of central plan-

The shadow of this state, revealed in fascinating detail by Handelman, was a Vorovsky Mir. a criminal world, of gangsters who provided Soviet citizens with the consumer goods their ruling comrades considered inessential Handelman's account of the

cementing of an alliance between the comrades and the criminals adds up to one of the most comprehensive and convincing representations of what has happened in Russia since 1991. But the book describes a system, rather than a government. The author offers a compelling vision of how Russia is run, but the identities of these new rulers. and how they are making their money, are subjects he skirts

Who is using Russia's thriving stock market to take control of the country? What is happening in the oil and gas fields of Siberia? And who is controlling Russia's buoyant metals trade?

It may be that no western reporter can penetrate the lab-yrinth of Russian capitalism and live to tell the tale. But Handelman's book is like a vivid account of the wild capitalists of 19th century America that fails to mention the Rockefellers.

This is a serious failing. The restriction of Handelman's account to shadowy, often unnamed figures on the margins of Russia's criminalised political economy does nothing to prove many of his most powerful assertions.

After rousing descriptions of the code of honour between Russia's gangsters, and the corruption of its apparatchiks, Mr Handelman reveals his hand, without support, in the third and concluding section of the book.

1995-96, to be presented on November 29, is unlikely to change the tax burden by more than is already planned as a result of previous budgets. It will be called a neutral one quite wrongly as the tax burden is increasing and will con-The comrade criminal has become "the dominant political tinue to do so. A bogus debate is however figure of Russia", he charges. The second Russian revolution

he UK Budget for

starting on whether the Conservative government should prepare to cut taxes in the following 1995 budget. These would take effect in 1996-97, the last financial year before an election must be held.

But there is one thing to get straight at the outset. In any sensible use of language, there will not be any tax cuts either in this Budget or the the next one, whichever school of thought wins the debate. The only question is how large the tay increases are to be The previous chancellor,

Norman Lamont, announced in his budget of March 1993 stag-gered tax increases to take effect in later years as economic recovery got under way. This was what I called the Augustinian policy of making the government's finances chaste, but not yet. The present chancellor, Kenneth Clarke, in his budget of November 1993 added to the tax increases in the pipeline. The increases imposed by the two 1993 budgets together will have raised the tax take by £15bn or more than 2 per cent of gross domestic product by the coming fiscal year, 1995-96. The aim was to reduce the Public Sector Borrowing Requirement from its post-recession peak of 7 per cent of GDP in 1993-94.

This would involve, according to Treasury projections. taxes, excluding North Sea oil, rising from a low of 34% per cent of GDP in 1993-94 to more than 38 per cent by the late 1990s. In actual cash, and assuming very moderate inflation, we are talking about an eventual net addition to the tax burden of well in excess of £30bn - much larger than any conceivable 'tax cut'. Assuming the present gov-

ernment remains in office at least until 1997 (the last year for holding an election), the net effect of 18 years of Conservative government will have been to raise the ratio of tax to GDP by 4 percentage points over the level it inherited from the Callaghan Labour government. These trends were all in the official Budget documents and neither chancellor tried to hide them. But it took a cam-Chrystia Freeland | paign by Labour's Gordon

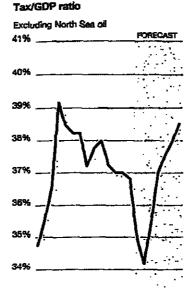
ECONOMIC VIEWPOINT

There ain't gonna be no tax cuts

By Samuel Brittan

UK budget deficit

Taxation under the Tories

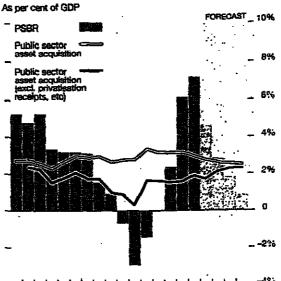


88-89

Brown to make the public realise what was in store. The Institute for Fiscal

Studies, in its Green Budget presented in collaboration with US investment bank Goldman Sachs, has a central estimate of the PSBR for 1995-96 amounting to £21bn, some £9bn less than the Treasury projected in its Red Book of a year ago. The improvement is, how-ever, due to the effect of unexpectedly rapid recovery on revenue and unexpectedly low inflation on spending. It is therefore no reason for relaxing tax policy if one believes that that policy ought to be related to longer-run trends, and that cyclically induced

fluctuations in government should be taken in their stride. But even if the influence of the business cycle were disregarded and the whole improvement were to be crudely handed back to the taxpayer, the latter would still be paying in tax a steadily rising propor-tion of her income. The only



1979-90 80-81 62-83 84-85 89-87 88-89 90-81 92-93 94-95 96-97

question is thus whether to tax increase combined with a limit - but certainly not to reverse - the size of the tax increases already planned and announced, which the public accepts, however grudgingly, that it will have to pay. Suppose however that in the

The only question is whether to limit but not reverse the tax increases

already planned

November 1995 budget Mr

Clarke were to chance his arm by providing £5bn of what the headlines would wrongly call 'tax cuts'. What then? It does not take a prophet to say that these measures would largely take the form of widening the lower income-tax band and taking one or two percentage points off the basic rate. The net effect then of several budgets together will have been a

structural change. The latter will have involved a reduction in tax privileges for home-buyers, married couples and the like, and somewhat higher indirect taxes especially on fuel. The proceeds would have been used partly to reduce the budget deficit and partly to finance a slight reduction in the marginal income tax rate. The changes will, on balance. he an improvement but come

as a side effect of raising

rather than lowering taxes. The authors of the Green Book, however, far from favouring a reduction in the tax increases in the pipeline. lean on the contrary towards a further fiscal tightening. Their argument is that if real GDP growth averages near 3 per cent per annum - their central estimate - a risk-averse government would start to worry about the build-up in external debt arising from balance of payments deficits.

Their prescription is to

tighten fiscal policy more than is really required to slow down domestic demand and offset this by a monetary policy "set to achieve an exchange rate consistent with some improvement in net exports" - code for further devaluation. My guess is that quite a few in the Treasury would like the chancellor to take this approach if they thought they could get away with it, but as a next best will settle for trying to sell it to a future Labour government.

mich

Mence in

Yet on present evidence fiscal tightening would be just as foolish as the cosmetic tax cuts advocated by the Tory right. The whole external deficit scenario is highly speculative and downgrades sterling's highly. competitive present real exchange rate. More fundamentally, a build-up in external debt. which emanates entirely from the private sector, is a matter for the private sector and is self-reversing.

The Green Book's own projections show that public finances are moving in a sustainable direction and are most unlikely to be the source of an external delicit. In the second chart, projected public-sector deficits are compared with the creation of capital assets by the public sector. They show that the "golden rule" - which says that public sector deficits should not exceed capital formation - is likely soon to be achieved. Another test of soundness - the stabilisation of the debt to GDP ratio should be achieved still earlier.

ndeed the chart shows that public sector finances have been fairly sensibly I run under a series of chancellors. When the UK was recovering from recession in the early 1980s, there was a budget deficit. In the boom of the later 1980s the public finances went into surplus and the "golden rule" was more than observed. Further deficits were incurred in the recession of the early 1990s which are again giving way to much smaller deficits and perhaps even surpluses.

Goldman Sachs nowadays loses no opportunity of denouncing the tax remissions of the late 1980s. Yet at the time the firm was adamant that the Budget surpluses of the period amounted to a tight ening of policy even on a cycli-cally adjusted basis. Rough and ready attempts to set Budget objectives without being too much influenced by temporary fluctuations are more likely to succeed than more refined cyclical adjustments possible only with hindsight.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters trans should be clearly typed and not hand written. Please set fax for finest resolution

A basis for Russian and Nato accord

From Mr Andrew Boulton. Sir, I refer to your two articles, "Russia and west split on Europe's security" and "Baltics struggle to muster a credible defence" (October 10). Russia is rightly concerned about the stability and security of the southern members of the Commonwealth of Independent States and is sufficiently respectful of Nato to seek its endorsement before deploying Russian peacemaking troops.

An exact parallel is Nato's concern for the stability and security of the countries immediately to Nato's east...the

three Baltic States, the Vise-

grad four. Romania and Bul-There would now seem to be an opportunity for the Conference on Security and Co-operation in Europe to reach a mutually acceptable and beneficial agreement - acknowledg-ing that Russia should assume the lead role and deploy peacemaking troops within the CIS, and acknowledging that Nato can similarly deploy peacekeeping troops throughout those European countries above, to Nato's east, and up to the CIS borders.

Andrew Boulton principal, Boulton Marketing Consultancy, larendon Road, Linlithgow, Lothian EH49 6AN

What duty?

From Dr L G Brookes.

Sir. In taking Ms Clare Spottiswoode to task about her understanding of her duties as director-general of Ofgas, the gas industry regulator. Mr Andrew Warren - who repre-sents the interests of the industry that supplies energy efficiency hardware and services fails to make it clear why she or anyone else should have a duty to further the interests of the members of his industry (Letters, October 11). If their products are worth buying, the market should take care of their interests in the same way as it does for any other industry. If they are not, so be it. L G Brookes, 16 Inswich Road,

Excellent basis for funding research

Sir, Your editorial, "Univer-sity reform" (October 11), calls for research funding to be restricted to a designated 20 or so universities. But if such concentration is to occur, it must be strictly on the basis of excellence. There is a belief in some quarters that high-quality research can only be conducted in large institutions. Yet of the 20 top research universities at the last research assessment exercise, 11 were of middle or small size (London School of Economics, Warwick, Brighton BNI 9RH

Lancaster, Sussex, York, Birk-beck, Durham, Exeter, Essex, East Anglia and Bath).

These 11 have demonstrated that it is not necessary to be big to be excellent or innovasupport for new fields, an interdisciplinary approach and the ability to be flexible and fast-moving can, individually or in combination, compensate for lack of size. Gordon Conway. vice-chancellor. University of Sussex,

Doubtful opinion

From Dr J Toporowski. Sir. As someone with a high regard for your newspaper. I am dismayed that you have advertised the opinion of central bankers, finance ministry officials and financial execu tives who regard yours as the publication that most influences them ("The FT influence", October 10).

I would not stake my reputation on the mess created by these gentlemen. South Bank University 103 Borough Road.

Women use business centres too

From Mrs S Y Rhys Jones. Sir, When Visa International set about finding out the important factors in choosing a hotel why did it restrict the question about business cen-

tres to men? (Business Travel Survey, October 10). Was it because the researchers assumed that the women interviewed were merely accompa-nying the men and therefore

interested only in factors such as hair-dryers and prompt laundry services?

I have just returned from a business trip to Australia, during which I sent and received a large number of faxes, telephone message and packages courtesy of the business centre at my hotel. Of course I appreciated the hair-dryer and the iron too and it was a refreshing change to be supplied with additional clothes hangers capable of holding skirts, rather than trousers.

What is more, nobody batted an eyelid when I signed the Visa credit slip rather than my six-foot five inch male partner. S Y Rhys Jones, Halley House. 49 Burney Street,

Pervasive model for modern managers

From Mr Tony Kippenberger. Sir, Tim Dickson's piece on Frederick Winslow Taylor (Management: Pioneers and Prophets, October 3) is interesting and valuable.

Since so much of today's management theory is cur-rently being questioned, going back to its roots is an important contribution to the debate unlike The Economist, which has started its series on management theorists with Tom Peters.

What Tim Dickson omits is that arguably Taylor "invented" functional management. This was an integral part of his scientific management approach which broke all activities down into separate, divisible (and therefore measurable) parts. Taylor's approach was no doubt valid for its time, particularly among the largely unskilled migrant workforce in the US of the late 19th century, as was Henri Fayol's similarly dated exposition of the "practice of man-agement" at a time when continue to lie buried under

France faced considerable international competition ("Les Miserables").

In the intervening years, these two founding theories of management have been added to, amended and adjusted.
Although they have also been increasingly challenged, it is undeniable that they remain

pervasive models in most man-

agers' mindsets.

They lie at the core of what many believe to be the theory and science of management. As such they have taken on the semblance of certainties - so deeply embedded that they are

not even questioned. Although their viability, as apparently unalterable truths, may have been gently eroded over time, they have not been fundamentally challenged in such a way that requires complete re-evaluation. Instead, later work - and there has been much of it - has formed as an accretion around these original ideas, rather than supplanting them. They therefore

layers of newer, sometime fresher thinking - relatively Much of the "buzz" in man-

agement today - re-engineering, empowerment, self-organ ising teams, de-layered and flatter management and even the "fall" of strategic planning - is at risk of failure (for good or ill) if the prevalent mindsets inherited from the 19th century are not put up for questioning. They brought us the concepts of "staff" and "line" and the need for discrete functions, notions about forecasting and planning, the need for command and control and the desirability of the stopwatch. There is a sense of discordance with our world, 100 years

The sooner this is debated the better. Tony Kippenberger director.

The Centre for Strategic Business Studies, St Thomas House. St Thomas Street,

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday October 13 1994

Russia unravels

For nine months, Russia's economic policy has been constructed around a myth: that an economy can be stabilised gradually. The government feared the political consequences of a more radical approach. Instead, it has spent months trying to foster belief in a more user-friendly alternative. This week's fall in the rouble is only the most recent evidence that the package is unsella-ble. The currency will fall further as long as its value is tied to the

success of a bankrupt policy.
The 21.5 per cent fall in the rouble on Tuesday left President Boris Yeltsin looking for scapegoats. Mr Sergei Dubinin, the acting finance minister, has been sacked. Central bank chairman Mr Viktor Gerashchenko may go with him. Part of the blame for the government's lack of credibility lies with individuals. The tacit relaxation of monetary controls over the summer came as a result of individual ministers giving in to the constant pleas for assistance from agricultural and industrial producers. More broadly, evidence of state corruption

continues to mount But changing the individual policymakers will do nothing if there is not a fundamental reform of economic policy to go with it. There must be a stable macroeconomic framework if Russia is to achieve sustainable long-term growth. Stability means winning the battle against inflation, and winning that battle means establishing a strict set of monetary and fiscal guidelines to which ministers can credibly adhere.

Reducing inflation, without the benefit of a nominal anchor for prices, such as a fixed exchange rate, has meant months of attempted monetary restraint, supported by necessarily high real High interest rates, in forcing more producers into bankruptcy, fuelled the very pressures for monetary stimulus which policy-

Few - whether inside or outside

Russia - believe that the current

approach can deliver this stability.

makers were already in a weak position to resist. But high rates also cost the government dear, by raising the cost of servicing gov-ernment debt. The longer they prevail, the more likely it is that the government will resort to fur-ther inflation in order to lower that burden.

Thus, whether or not members of the government actively fuelled the fall of the rouble - as President Yeltsin and others have suggested - it is the logical consequence of anti-inflationary policies which lack both the will and the means to deliver.

The west can do more than watch. Under the auspices of the IMF, there must be a clear offer of large-scale financial support for any government willing to make a decisive break with the incremental, escapist approach of recent months. Support for a social safety net is vital, as is a fund to back the rouble, which would psychologically underpin a commitment to peg the exchange rate and make it fully convertible. But only a reformed government could make it worth defending.

Detence mergers

With the prospect of submarine maker VSEL being taken over by British Aerospace or GEC, the rationalisation of the UK defence industry is moving into its end game. GEC has already collected most of rival defence electronics supplier Ferranti; GKN has bought Westland; now BAe and GEC are seeking to secure their position in naval engineering.

At first sight some of these mergers lack coherence. Yet because the UK has reduced its defence industry to one aircraft manufacturer, a dominant electronics company, two large makers of land vehicles and a few shipyards, companies have to find cost savings from merging the companies which are left. The logical conclusion of this process would leave the UK with two giants: GEC, whose prime expertise is in electronics systems, and BAe which makes its money from engineering and project management. The question now is whether they themselves should merge or should seek alliances in a wider Kuronean context.

There is something to be said for a merger. GEC's £2.8bn cash mountain would provide BAe with the cast iron financial stability it has always lacked, while BAe's marketing flair could help GEC succeed in export markets. On the other hand, the ministry of defence may object to merger if the two companies have already digested the remainder of the defence industrial base. The two companies' cultures could also ists with the scale to take on the

dream merger into a nightmare. It is not hard to imagine GEC's inflexibility combining with BAe's accident-prone nature to produce a disaster.

The more attractive alternative. which both are already pursuing, is closer collaboration with continental partners. BAe has been negotiating a missile alliance with Matra of France and an ordnance merger with Glat. GEC is pooling its sonar business with the French

electronics company Thomson. Better still would be wholesale rationalisation of the European defence industry. Unfortunately this is being blocked by political objections. Britain, France and Germany in particular see their defence industries as vital security interests and status symbols.

They should realise that the ideal of independent national defence industries is an illusion. Many key technologies come from US, Japanese or other EU countries. Some equipment is so expensive that European countries can only afford it if it is pooled in Nato, Such collaboration would be so much easier if full cross-border mergers were permitted.

European politicians should seize the opportunity to remove the barriers obstructing mergers while the defence industry is still strong enough to compete with other suppliers. If that happened companies such as BAe and GEC could decide in a free market whether their future is as national monoiiths or international special

clash in a way which turned the best in the world. Exclude Saddam

That President Saddam Hussein only the same had been done in cannot get away with invading the south in March 1991, Mr Sad-Kuwait was conclusively demon-strated in 1991. That he can be deterred from invading it, in spite of the certain consequences, is less sure. He only has to look as if he might be about to try, and thousands of troops and aircraft are rushed to the scene. This procedure is expensive and if repeated would be undignified.

Mr Saddam is well aware of that. In fact he is probably enjoying the commotion he has caused. Even if it does not pay any diplomatic dividend, such as a Russianbrokered deal involving an easing or gradual lifting of sanctions, it shows that he still has the capacity to induce something like panic in the international community. That may make him look stronger and so reinforce his grip on his own armed forces.

The US and Kuwait are rightly looking for ways to make it more difficult for him to achieve this effect. The no-fly zone south of the 32nd parallel, imposed in August 1992, already helps, since it deprives his forces of air cover as soon as they are within 130 miles of the Kuwaiti border. But clearly it is not enough. So they are canvassing the idea of a total exclusion zone, in which the movement of troops and military equipment would be banned on the ground as a demilitarised zone, and encour-

well as in the air. Such a zone has been imposed by the allies north of the 36th parallel since April 1991, and has helped to preserve the Kurdish more than half the country was "safe haven" in the north-east. If outside its control.

dam would surely not have been able to defeat the Shia rebellion in the south. At the time, the US declined ostentatiously to give any support to the rebels, although it had half a million men virtually within earshot of what was happening. President Bush's spokes-man, Mr Marlin Pitzwater, even stated publicly that the US had no objection to the use of helicopter gunships to suppress the revolt. The only reason given publicly for this attitude at the time was an unconvincing, and in the circumstances hardly appropriate, neutrality in Iraq's internal affairs. The real reason was that the US feared a Shia success would mean that Iraq, or at any rate the southern half of it, would become a satellite of revolutionary Iran. Washington hoped and believed the Iraqi army, having suppressed the revolt and secured the integrity of the country, would depose Mr Saddam and replace him with a more pliable regime. That strategy has manifestly failed. The US is now supporting

an alternative leadership, the Iraqi National Congress, which has brought together Kurdish, Shia and some Sunni opponents of Mr Saddam. The right course now would be to declare southern iraq age the INC to establish its authority there. It is hard to believe Mr Saddam's regime could long survive in Baghdad once

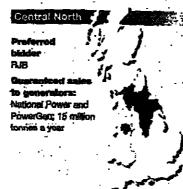
British Coal: the big sell-off

Michael

Heseltine's relief

was palpable yes-terday as he

terday as he announced the pre-



ferred bidders for British Coal, the

state-owned mining company, and the industry moved into the final stages of privatisation. "We have received offers which

can be measured in hundreds of millions of pounds," he told repre-

sentatives at the Conservative party

conference in Bournemouth "By

next January nearly 30 British Coal

The trade and industry secre-

tary's exultation was understand-

able. It was almost two years to the day since a crisis erupted over pre-

privatisation pit closures that many

political career.

observers thought would end his

Mr Heseltine received the

applause he expected from the party

faithful, some of whom have been highly critical of the government's coal policy. But the government's

problems with coal are not over yet.

First, ministers and their advisers must complete the final negotia-

tions with what Mr Heseltine called

the "likely successful bidders".

These are RJB Mining, a quoted

company whose bids have been con-

ditionally accepted for the three

English regions and two closed pits,

Thorne in Yorkshire and Ellington

in Northumberland; Celtic Energy,

a management buy-out for most of Wales; Mining (Scotland), a consor-

tium, for the Scottish pits; an

employee buy-out team for Tower

pit in south Wales; and a consor-tium including Coal Investments, another quoted for the Annesley

Bentinck pit in Nottinghamshire.

Nothing is signed yet. A failure to

reach final deals with the preferred

bidders would be embarrassing for

Mr Heseltine, who would then have

to try to find an alternative buyer

But the real test for the govern-

ment will be what happens to the

industry after the privatisation,

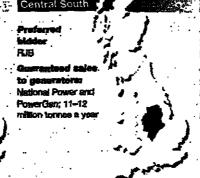
which is expected to be completed

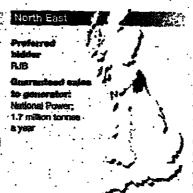
on December 24. If more pits close,

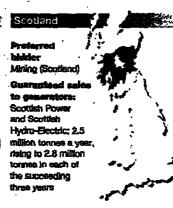
blame is likely to be laid at the door

among other bidders.

nits will be in the private sector.







Celtic Energy 1 million tonne

Private bidders' dash for coal

Michael Heseltine may have made some shrewd choices in privatising the UK's pits, says Michael Smith

of the government even if the industry is privately owned. Ministers will also face strong criticism if any of the companies they have selected to run Britain's pits find themselves

in financial difficulty.

The government has taken a lot of trouble to ensure that such embarrassments are avoided. Rothschild, the government's merchant bank adviser, said that while the preferred bidders in each region had made the highest bids, they had also satisfied it on "intangible issues", including their financial viability and their long-term commitment to the industry.

The outcome of the tendering process has also given the government a result that is politically attractive. By choosing a management buy-out for the south Wales pits and a consortium in which trade unions have a stake for Scotland, they have been able to give credence to the government's desire to give employees a stake in the industry. The selection of locally based

companies in Wales and Scotland will also avoid accusations in those countries of an English takeover.

Ministers have taken a risk in disappointing the ambitions of the Union of Democratic Mineworkers, the breakaway union, which was in a consortium bidding for the two

central English regions But the choice of RJB for all three English regions could prove a shrewd move. If RJB succeeds in completing the negotiations, it will take on 15 of the 16 British Coal pits that are still open. The company

reckons that when these are added to the opencast interests that it will also take over and the three pits it already leases from the govern-ment, it will control more than 80 per cent of the coal industry.

The government's willingness to concentrate so much power in one company has taken the industry by e. Even in his speech yesterday, Mr Heseltine was stressing the benefits of competition that have arisen from other privatisations.

ut giving all three regions to RJB allows ministers to argue that they are not driven by that they have listened to British Coal's advice. British Coal has argued throughout the privatisation process that the industry should remain as one.

"Privatising English coal in one chunk is a good outcome for the industry," said one British Coal executive yesterday. "It will give the company strength through size, particularly in its discussions with the electricity generators for coal sales deals."

There was less rejoicing in the industry that the government's choice had fallen on RJB. Some executives said they would have preferred to work for Mr Malcolm Edwards, former British Coal marketing director who now heads Coal Investments, or for Mr Bob Siddall the opencast director who led a management buy-out team. Mr Richard Budge, the entrepre-

neur who heads RJB, is viewed as highly competent within British Coal, but there are fears that his personality may be too forceful for the good of the industry. If he lives up to his image, he could face confrontation with Mr Arthur Scargill, president of the National Union of Mineworkers, who is resolutely opposed to the changes in work practices and culture RJB says it needs to make a success of the

English pits.
"The negatives are probably more in people's minds than in reality but he is viewed as domineering and dictatorial," said one executive. We will want to see evidence that he can delegate."

Mr Budge yesterday played down the potential for confrontation. "Some of our existing pits have NUM members and there are no problems there," he said. RJB's other main task is to sort

out the finance needed to fund the hid. Since the company was floated on the London Stock Exchange last year, the shares have outperformed the market, but the company is still capitalised at less than £50m.

Neither RJB nor the government was prepared to discuss the size of its tenders yesterday, but the company is believed to have paid at least 2900m. With gearing of about 70 per cent already, an issue of shares and more borrowing seems inevitable.

Stockbrokers' analysts said yesterday they saw no problems with raising such sums. Some said RJB's share price would rise when the

In the five years since the Leipzig

shares returned to the market following yesterday's suspension. Much, however, will depend on the detail of the financing which has

yet to be announced. Details of the successful Scottish and Welsh bids were similarly undisclosed. However, to win the Welsh bid. Celtic Energy beat off powerful competition, including a consortium grouping Powell Duffryn and Wimpey. "Both companies wanted the Welsh region pretty badly to preserve their opencast interests there," said one analyst. "Celtic Energy must have put in a substantial offer

But perhaps the largest determinant of the companies' future success will be the market for their coal, over which they have only limited control. The biggest problems are the potential growth of competing fuels in the electricity market.

The "dash for gas" that has forced the closure of so many pits in the past few years has spluttered back into life in the last few weeks. Two regional electricity companies, Midlands and Electricity, have announced their involvement in consortia to build gas-fired power stations which will eliminate the need for 3m tonnes of coal a year. British Gas is negotiating on the possibility of building a 1,200MW station near Bristol that could displace another 3m tonnes of coal. British Coal executives and some

of the unsuccessful bidders say they have been taken by surprise by the announcements. They also pointed out that the marketplace will be more crowded than expected because of the acceptance yesterday of bids to reopen some pits closed in the last year by British Coal.

Mr Budge was unconcerned. He had no plans for further believing the market would shrink only marginally from its current capacity. "Don't forget that there are 17m tonnes of imports and we can displace most of them," he said. The 8,000 or so deep-pit miners who remain in the industry will be

praying that Mr Budge and not the

Signs that united Germany is working



This year's German elections are the first true test of the political aspirations of unified Germany. The euphoria that PERSONAL the Berlin Wall is followed the fall of

VIEW long gone. So too are the transitional arrangements that allowed the two halves of the new Germany to vote as separate districts in the 1990 elections. In the four years since those elec-tions, I have been to east Germany

several times. I have heard the stories of colleagues dismissed from universities, "wound up", as local usage has it. I have heard of careers ruined, people thrown out of their homes, and apparently flourishing state enterprises sold to west German companies which shut them

In such soil, conspiracy theories grow, From such people, votes come for the Party of Democratic Socialism, the successor to East Germany's Communist party.

everything, unification works. Erfurt in September 1994 looks bet-ter than Erfurt in July 1993. People are better dressed. The shops are

Five years after the Berlin Wall came down, polls show that the majority of east Germans consider themselves winners as a result of the change. Unified Germany transfers each year about DM150bn (£61bn) from west to east. No wonder they feel good.

Currency reform has also worked. I talked to one of the economists who advised the Bundesbank on the rate of exchange between the two German currencies on unification. Experts at the time decided that it should be one D-Mark for 25 Ostmarks. Chancellor Helmut Kohl ignored them. He heard the footsteps of 40,000 people leaving east Germany each week. When the crowd said, "if the D-Mark won't come to us, we'll go to the D-Mark", Kohl gave them the D-Mark.

I asked the economist: "Who was right, the Bundesbank or Kohl?" What I should to say to my east He hesitated and then said: German friends is that, in spite of "Kohl." There was no time to fiddle

with exceptions and regulations, still less to guess the unintended consequences

Among the beneficiaries of currency conversion, along with pen-sioners, were the organs of the east German state, whose huge, largely concealed cash balances suddenly turned into hard currency. By one of those ironies that make history

The majority of east Germans consider themselves winners as a result of the change

such fun, Kohl became the benefactor of the PDS, the party which might bring his chancellorship to an end if it succeeds in winning seats in the new Bundestag. I am here with a group of foreign academics, guests of the German Academic Exchange Service. I have had a chance to travel widely. What I see is not change, but conti-

OBSERVER

nuity.

BANX

demonstrations of October 1989, the old Federal Republic of Germany has absorbed five new federal states relatively painlessly. The constitutional lawyer Hartmut Jacki points out that the German Basic Law, its constitution provisionally adopted

in 1949, has scarcely been altered by unification and the federal structure not at all. Since 1949, Germany has had coalition governments at federal level and on most state levels. Coalitions move to the centre and move slowly, if at all. German voters like that. Since 1949, no electoral

swing has ever exceeded 5 per If the liberal Free Democratic party fails to get 5 per cent of the vote in next Sunday's election, it will not enter the new Bundestag. Since that would amount to change of much more than 5 per cent, it is

not going to happen.
It does not matter that the FDP falled to get 5 per cent in the last seven state elections. Enough German voters understand their political system to ignore state results. Yesterday the Allensbach Institute announced that 57 per cent of those intending to give their second vote to the FDP will have cast their first vote for Chancellor Kohl's Christian Democratic Union. These German voters know what they want and

how to get it. The German state of 1994 is no longer provisional. The federal republic had 40 years of success before 1989. The last five years have

brought more. Lady Thatcher and President François Mitterrand were wrong about a united Germany. It is more. not less, stable than the pre-existing states. The symbol of that stability is the massive bulk of Helmut Kohl,

"Bismarck in a baggy sweater". Bismarck united the old Germany with the sword; Kohl with the vote. That's the real difference between the old and the new Germany.

Jonathan Steinberg

The author is reader in Modern European History at Trinity Hall,

Goldman wonder

■ If all private partnerships suffer from envy, Goldman Sachs must have an acute case; the rank and file always feels the partners keep the goodies all to themselves.

At Goldman, where 150 partners are reputed to have earned more than the rest of the 9,000 staff last year, the problem has reached its most extreme form. Perhaps that explains why the US

investment bank has just opened the partnership door a little wider. The firm has elevated 58 staffers to the ranks of the fabulously wealthy, compared with 35 in the previous biannual promotion. But for every new partner there

will be dozens of ambitions types who will be bitterly disappointed that they were overlooked. If not made a Goldman partner by

your mid-30s the chances are pretty slim you will make the grade. Add in the fact that an increasing number of the privileged few are retiring early and the average age of retirement is now down to 47, it's easy to see why Goldman veterans who have been passed over for partnership could easily become demoralised.

So far in 1994, Goldman's profits are reckoned to be running at little more than a quarter of last year's. Hence the gap between the earnings of the partners and the also-rans is not quite so startling as last year.

However, the problem has not gone away. With roughly a third of Goldman's partners now being new boys, it's hard to believe they will want to change the increasingly anachronistic payments system.

Euro-muddle

■ How timely. London's Hackney council launches its contribution to the European debate today, with a report on "Whose Europe is it anyway?". For further information, contact Louise Muddle.

Clearing Kavan Jan Kavan can afford to smile

again: he has been officially cleared by a Czech court of the charge of collaborating with the StB, communist Czechoslovakia's equivalent of the KGB.

In March 1991 a parliamentary commission said Kavan's name had been found in StB files. Kavan had been a famous dissident, indeed the opposition's main link with the west, while he lived in exile in London between 1969-89. The accusation was based on meetings he had in 1969-70 with an StB agent based in London's Czechoslovak

embassy.
The ministry of interior says it will appeal against the latest judgement, though Kavan is confident there is no further evidence. He is now standing Unopposed for the chairmanship of BAGHDAD

THE PRINTER WHEN - WHITT 'I wonder if there's a Nobel peace prize in this for us'

the Czech Social Democratic Party foreign affairs committee effectively making him shadow foreign minister.

Priceless

■ Michael Portillo's triumphal progress at the Tory party conference in Bournemouth tripped up yesterday. Sir George Gardiner, chairman of the Thatcherite Conservative Way Forward group, unwittingly ruined the employment secretary's best line at a fringe meeting. Unknown to Sir George, Portillo was preparing to poke fun at Labour's habit of charging for

some of its policy documents. But Sir George threw in his path a banana skin, by launching a hard sell for a CWF booklet of the Portillo's speeches - 'Clear Blue Water' – and a snip at £4.95. Michael Portillo is only too willing to autograph it for you," added

Gardiner. Side-stepping rapidly, Portillo congratulated CWF for "having the chutznah" to assemble the booklet. saying: "It's a real tribute to the capitalist system." As is Portillo.

Browned off

■ Vincent Tan, the prominent Malaysian-Chinese businessman, is after M\$20m (\$7.9m) damages from a magazine called Malaysian Industry, which he accuses of writing a series of articles that sought to destroy his personal and commercial reputation. In Kuala Lumpur's high court,

Tan this week claimed to be "the brains" behind Berjaya, a group with textiles, leisure, media and assorted other industries. He certainly is head and controlling shareholder of Berjaya, which he says now has 200 companies and 14,000 employees. Tan says that the articles have caused alarm and despondency among fund managers. and that some had sold their

Beriava shares. Yours humbly, Vincent Tan, is always in the forefront," said Tan. "Even if the M\$20m is awarded to

me, it cannot undo the harm and

the stress put on me," he added. "If I had a weak heart I would have died. But fortunately I am 42 years old, still young and strong.'

On guard

■ The Lord Mayor Sir Paul Newall, in Kuwatt City yesterday during what was supposed to have been a routine Gulf trade tour, was at least well prepared. Britain may be mustering only a paltry collection of troops to send to the Kuwaitis' assistance, but the Lord Mayor's team should pass muster. Sir Paul did part of his national service with the Royal Fusiliers in the Sudan. His swordbearer Colonel John Ansell was with the Trucial Oman Scouts in the 1950's and was attached to the Kuwaiti armed forces in the early 1980s. Even the third member of the party, the "chief commoner" John Holland, is an honorary colonel in a TA parachute battalion. On this occasion the extra baggage in a Lord Mayor's overseas junket seems justifiable.

Black belter

You can tell much from a business card. Take that of Noudjalbaye Ngaryanan, formerly Chad's chief of police. His card now reads "Minister of public health" and "president of the amateur karate league". Shape up or else.

FINANCIAL TIMES

Thursday October 13 1994



Conference speech wins rightwing Tory support | C&W is

Portillo hits out against Brussels 'interference'

By Philip Stephens and Kevin Brown in Bournemouth

Mr Michael Portillo established himself vesterday as the unchallenged leader of the Conservative right in British politics as government divisions over Europe were exposed again at the party's annual conference in Bournemouth on the south coast of

In a confident and carefully calculated performance which won thunderous applause, the UK employment secretary launched a fierce attack on interference from Brussels and a passionate defence of British institu-

tions and sovereignty.

Anticipating an intense debate within the government ahead of the 1996 intergovernmental con-ference, Mr Portilio said bluntly: "Sometimes you have to tell

His conference debut speech as a cabinet minister came as Mr Kenneth Clarke, the chancellor of the exchequer, prepared to tell

By Gillian Tett, Philip Coggan and Peter Norman in London

The underlying rate of inflation

in the UK fell to its lowest level

for at least 27 years in Septem-

ber, providing a boost to the Con-

servative government, confer-

Unemployment also fell for the

eighth consecutive successive

month, bringing the numbers

claiming benefit down to levels

Unchanged average earnings

growth in August was a further

pointer to the increasingly

healthy nature of the UK's eco-

nomic recovery. This suggested

threatening to boost inflation.

that pay settlements are not yet

The Treasury hailed the data

as evidence that the country was

unusual combination of steady growth with low inflation.

Although some analysts sus-

last seen in 1991.

a strong revival in the govern-ment's political fortunes before the next general election, which is due by 1997 at the latest.

But Mr Clarke was expected to combine a firm promise of even-tual tax cuts with a warning that the government would first have to make further cuts in public spending programmes and bring down sharply the level of public

borrowing.
The fresh discord over Europe coincided with a by-election threat after the death of Mr John Blackburn, Conservative member of parliament for Dudley West in the English Midlands. A byelection defeat would reduce Mr

John Major's majority to 13 seats. Mr Portillo insisted his comments on Europe were in line with government policy and was at pains to repudiate the view of Mr Norman Lamont, the former chancellor, that Britain might have to consider withdrawal from the European Union.

"absolutely united" on the need

UK's underlying inflation is

at lowest level for 27 years

George, the governor of the Bank

of England, suggested financial markets were being too pessimis-

The Central Statistical Office

yesterday announced that the

annual rate of retail price infla-

tion, excluding mortgage interest

payments, was 2.0 per cent in September. The CSO said this is

the lowest annual rate for what

the government considers

"underlying" inflation since 1967. The headline inflation rate also

fell. The annual growth rate in

the retail prices index, covering

all items, was 2.2 per cent in September compared with 2.4 per

cent in August. Last month's low

price rise is likely to prove partic-

month's budget, since Septem-

ber's index will form the basis for

The data were also welcome

in the City of London, which had

and other benefits will rise.

ularly significant for next

tic about the future.

the economic upturn would bring to reduce interference from Brus sels in the everyday lives of British citizens.

But the Eurosceptic tone of the speech - Mr Portillo said the government would "stop the rot" from Brussels - provoked a counterblast from Mr Michael Heseltine, the pro-European trade

and industry secretary.

Mr Heseltine said a central role was vital for Britain's economic self-interest. He added: "Our choice is to influence what is happening - or let others set the rules. That is why the prime minister is right to talk of a Britain at the heart of Europe."
In a clear indication of the

growing irritation in Brussels at attacks on the EU by Tory rightwingers. Sir Leon Brittan, the European competition commissioner, warned that the UK could be damaged by sniping from the

Sir Leon said in Brussels that an "open and sensible Europe' lesser emotions and imply that

rise later this year, reflecting tax

increases and commodity price

rises, yesterday's figures suggest

The overall figures were

slightly flattered by volatile fac-

tors such as a dip in petrol

prices. But price growth in most retail categories remained low.

ment of Employment yesterday

suggested that falling unemploy-

ment is not yet resulting in pres-

The numbers claiming unem-

ployment benefit fell by a season-

ally adjusted 28,000 in September

to 2.57m, or 9.1 per cent of the

workforce, its lowest level since

December 1991. However the

underlying annual rate of aver-

age earnings growth was

Unemployment down 400,000,

Page 8; Lex. Page 18; Bonds,

Page 24: Currencies, Page 34;

sure for higher wages.

Further data from the Depart-

that the picture is benign.

first into **Chinese** telecoms market

in Hong Kong **and** Andrew Adonis In London

China took the first significant step in opening its telecommuni-cations industry to foreign companies yesterday when Cable and Wireless of the UK announced agreement for a \$300m investment to build networks.

Lord Young, C&W's chairman said Hongkong Telecom, in which it owns a majority stake, would work with Chinese partners to upgrade a cellular telephone network in Beijing. It would also construct a 3,000km optical fibre cable system to connect the city with Hong Kong.

The deals, which Lord Young expects to be finalised in the new year, represent China's first concession to a foreign company to play a role in operating telecoms networks. Hongkong Telecom's partners will be China's Ministry of Post and Telecommunications and Beijing's telecommunications

authority.

The deals heightened interest in the Chines market among other western telecoms opera-tors, particularly US companies. Mr Andrew Harrington, telecoms analyst at Salomon Brothers in Hong Kong, said the

two ventures were a significant breakthrough in China's policy.
"The Chinese authorities real ise that they need foreign capital and expertise if they are to develop the country's telecommunications network," he said.

Other analysts were unsure if Hongkong Telecom's proposed ventures would serve as a precedent for western operators or whether they reflected the company's special position in China. After Hong Kong reverts to Chinese sovereignty in 1997. Hongkong Telecom will be a company incorporated on the Chinese mainland. China International Trust and Investment Corporation, the Chinese government's main investment arm, owns 17

per cent of Hongkong Telecom. Beijing has, until now, maincoms services, although the market has been open to western equipment suppliers. The opening of the services to joint ventures with foreign operators is driven by China's plans to modernise and expand its networks. Analysts believe a change in market conditions has made it

more difficult for China to attract special credit facilities from equipment suppliers, necessitat ing a faster than expected introduction of foreign participation. Investors who bought Hongkong Telecom's stock in advance of the announcement, lifting the

> Foreign operators calling Beijing's number. Page 7 C&W priorities, Page 25

pect the current low rate of inflaforecast a slightly higher rate of tion may not be sustained in inflation in September, following coming months, Mr Eddie a surprise rise in inflation in

would lay down strict policy conditions if asked to return, and would require the removal of several senior cabinet ministers. Mr Andrei Vavilov deputy finance minister, has also been named as other conservative politicians.

FT WEATHER GUIDE

attempts to oust him. Mr Jannik Lindback

Continued from Page 1

will become part of the new venture, as will Amblin Entertainment, Mr Spielberg's production company. Mr Spielberg, 47, will continue to direct for other comnanies but is expected to use the group as an outlet for his fasci-

London Stocks, Page 29

His Geffen Pilms subsidiary

THE LEX COLUMN

Submarines in BAe's sights

British Aerospace may be known for its metal bashing skills, but the finan-cial engineering involved in yester-day's agreed bid for VSEL was first class. Most importantly, the deal, in effect a rights issue, would broaden BAE's narrow capital base. The additional capital should bolster customers' confidence that the group can handle large contracts without significant cash flow problems. It should also help BAe make the scale of provisions against the troubled turboprop operations necessary for their even-tual disposal VSEL's £284m (\$448.7m) cash would be a bonus.

In earnings terms, the tax benefits would be particularly striking. BAe could offset VSRL's profits against its huge unused capital allowances, trad ing losses and ACT. These should drive BAe's tax rate down from 33 per cent to 25 per cent and make the acquisition earnings enhancing. Lastly, the additional consolidation would have the advantage of making a successful GEC bid for BAe less likely because of competition concerns.

The financial conjuring does not invalidate the industrial logic, though its validity would take longer to prove. In the short term, BAe admits it would struggle to maintain VSEL's profits in spite of the remaining Trident work. In the longer term, the new grouping would need prove its worth by winning contracts such as the second batch of Trafalgar submarines. By linking the two groups, the chances of winning would be significantly enhanced in spite of the financial and industrial logic of BAe's offer, the deal could yet be undone by GEC's offering a competing cash bid. If successful, that could leave BAe struggling to dispose of its turboprop business without a conventional rights issue.

Cable & Wireless

The prospects for the Chinese telecommunications market can, appropriately enough, be described in terms of telephone numbers: at least \$100bn to be spent between now and the end of the century and exponential growth in the number of telephone lines. In this context, Cable & Wireless's announcement yesterday about a possible \$300m investment in two Chinese projects is drop in the ocean – but an important one none the less.

If the joint ventures come off, C&W stands to win a commanding position in the fledgling mobile telephones market in Beijing, and to capture the bulk of telephone traffic between

FT-SE Index: 3100.5 (+27.5)



Hong Kong and the Chinese capital. It will moreover be well positioned for further opening of the market - hence a jubilant reaction from the UK and Hong Kong stock markets.

However, the market reaction was driven more by sentiment than an nent of what Hongkong Telecom - C&W's 57.5 per cent owned subsidiary - has so far achieved in its negotiations with China's telecoms authorities. The details of the contracts have still to be worked out and C&W's hopes of investing in China on the basis of profit-sharing may well be dashed China has not definitively dropped its objections to foreign com-panies taking direct equity participa-tion in the sensitive telecoms sector.

Still, the China connection is positive for C&W, which generated nearly two-thirds of its operating profits from Hongkong Telecom last year. But investors are more likely to want to buy shares in the Hongkong company direct. Long-term questions about C&W's future strategic orientation remain, especially now that Mercury is entering a low growth phase.

UK economy

Compared with the feverish anticipation surrounding Mr Kenneth Clarke's first UK Budget last year, this year's exercise has attracted remarkably little excitement so far. Perhaps that is because Mr Clarke has already been so emphatically dismissive of the prospect for tax cuts in the short run. Judging by the yesterday's "green budget" from Goldman Sachs and the Institute for Fiscal Studies, he has little room for manoeuvre anyway. Though the public sector borrowing

requirement is falling faster than expected, it is all to do with the impact on spending of higher-thanexpected growth and low inflation.

Medison Euro

Unlike last year, when the government had to deal with a surging deficit, there is no urgent need for a change in the overall fiscal stance. While the pace of recovery remains imcertain there is little call for further tightening over and above what is already in the pipeline. Equally, premature relaxation could spill over into a deterioration in the payments deficit. The UK's unexpectedly strong trade performance this year was added

powerfully to the impression that the recovery is sustainable.
So if Mr Clarke does want to make a political splash with the Budget, it looks as though he will need to find a way of robbing Peter to pay Paul. An obvious possibility is freezing allowances to finance an increase in the 20 per cent tax band. But Mr Clarke's tax on insurance premiums last year also shows he enjoys springing surprises The financial community seems to have fought off any serious attack on dividends but, given its unpopularity with the public at large, the financial sector should not rest entirely easy till after Budget day on November 29.

Union des Assurances de Paris' first set of post-privatisation results were frankly unimpressive. The 22 per cent fall in net consolidated profits, trig gered by provisions for its continuing property problems, has significantly reduced the group's chances of achieving its promised 30 per cent profits increase for the full year.

Without earnings growth to support the shares, the market was left to worry about net asset value. But the collapse in bonds and equities, and continuing weakness of the property market, has made unrealised capital gains plummet. The market's concerns were reflected by a 5 per cent slump in the share price.

The implications of UAP's share per formance for the French privatisation programme, and particularly AGF's share sale, are serious. Investors who bought UAP at privatisation in May are nursing a 13 per cent loss. The fact that the shares have only slightly underperformed the CAC-40 index offers little comfort. If the losses begin to affect retail investor confidence, the French treasury will be faced with the prospect of offering AGF at an even bigger discount to the market.

Yeltsin sacks Dubinin

Continued from Page 1

a possible replacement as well as

Mr Gerashchenko, once labelled the "world's worst central banker" by the Harvard

Europe today

Five-day forecast

A ridge of high pressure from the British Isles towards the Alps will continue to promote calm and fair conditions over the British Isles the Benelux, Germany, the Alps, Poland and the Balkans. There will be a lot of sun but frequent morning fog. France, Portugal and Spain will have sunny periods, but the Pyrenees, the Costa Dorada and the arics will have recurrent showers. Italy and Greece will be mostly sunny. North-west Turkey will be overcast with rain owing to a frontal system over Russia and the Black Sea. Scandinavia and the Baltic states will be unsettled with gale force winds. Rain will be

particularly heavy along the Norwegian coast

As high pressure over the continent weakens cool air over Scandinavia and the Baltic states will expand towards eastern Europe. causing falling temperatures. The stationary high pressure over the North Sea will continue to give misty and calm conditions over western and central Europe. The Mediterranean will be sunny and warm.

Southern Spain and Portugal as well as southern Greece and Turkey will have

economist, Professor Jeffrey Sachs, has survived many

vice-president of the International Finance Corporation which acts as the investment arm of the World Bank, said yesterday that the currency crisis was unlikely to deter serious foreign investors. "In this sort of environment we must expect the currency markets to be volatile," he said

Spielberg

tainment group to Japan's Mat-

share price 5.5 per cent yesterday to HK\$16.30.

TODAY'S TEMPERATURES

occasional thundery showers.

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Without us, Hornets couldn't buzz back to base.

Over a thousand McDonnell Douglas F/A-18 Homets put sting into the air defences of the United States, Canada, Australia, Spain and Kuwait - and more are now to come from the same nest. That's good news for Dowty Aerospace, Toronto. Already supplier of the E/F version Hornet's nose landing gear in conjunction with Allied-Signal Aircraft Landing Systems, Dowty has now landed the contract for sole supply of this gear for the C/D version. With deliveries starting next year, things will really be buzzing in Ontario. Dowty is one of TI Group's three specialised engineering businesses, the others being John Crane and Bundy. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



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IN BRIEF

Anheuser-Busch seeks Czech ruling

Anheuser-Busch has increased pressure on the Czech government to decide the future of Budëjovický Budvar, the Czech Republic's most famous brewer in which the US group is trying to take a minority stake. A dispute between the two brewers continues over the use of the Budweiser trademark.

IBM gets into shape Mr Louis Gerstner, who took over as chairman and chief executive of International Business Machines 18 months ago, claimed yesterday he had succeeded in making the lumbering giant of the computer industry more fleetfooted. Page 22

Kone dips but expects gains over full year Kone, the Finnish lifts group which on Monday agreed to buy Montgomery Elevator of the US for \$280m, saw underlying profits dip slightly in the first eight months. Page 20

A new twist has been added to the debate about pri-cing on the Nasdao stock market. Four months after a US academic study claimed that dealers on the Nasdaq colluded to keep spreads between buy and sell prices unnecessarily wide, a second study by the same university professors has given the debate new impetus. Page 22

Audi to invest in Hungarian engine plant Audi, the executive car division of Volkswagen of Germany, is planning to invest DM730m (\$474m) in a new engine manufacturing plant in Hungary over the next five years. Page 22

TWA mounts restructuring campaign Trans World Airlines, the US airline struggling to avert a financial crisis, yesterday started campaigning to win support for a sweeping financial restructuring that will nearly halve its debt. Page 22

Argentina returns to syndicated loans Argentina has tapped the syndicated loan market for the first time in more than 10 years by signing an 18-month \$500m credit with banks led by Credit Suisse and Chemical Bank. Page 24

Lloyds Chemists up with higher sales Lloyds Chemists, the UK's second largest pharmaceuticals retailer, lifted both profits and turnover by 17 per cent for the year to the end of June, helped by large sales gains. Page 26

Gardner Merchant rises 14% Cardner Merchant, the largest contract caterer in Europe, yesterday reported an increase of almost 14 per cent in interim profits. Page 25

Lotus returns to the black with £2m Group Lotus, the UK sports car maker and engineering group taken over last year from General Motors by Bugatti International of Italy, yesterday announced its return to profitability. Page 25

Companies in this issue ANZ

Aer Lingus Amec Anheuser-Busch Audi **BK Vision** BZW Bergesen Berjaya Bolton Brandon Hire British Aerospace Budějovický Budvar Bulgin (AF) Cable & Wireless Chang Hwa Bank Coles Myer Deloitte and Touche Derwent Valley Emap Engil First Comm'd Bank Gavmer Group Gibson Greetings Group Lotus

23 ITT 26 Icels 26 Iceland 20 Int Inv Tst Jersey Johnson Cleaners Kone Lahden Lasitehdas Lauritzen Holding Lloyds Chemists Matthew Clark Mitsubishi Bank Nippon Trust Bank Norsk Hydro Northern Rock Owen & Robinson Prudential HEA HORDINGS
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Sears
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Technology Telecom Italia 19 Time Products 10 UAP 25 UBS 4,7 VSEL Wates City of London

Market Statistics

Bond futures and options Bond prices and yields mmodities prices vidends announced, UK FT-A World Indices FT Cold Mines index

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Chief price changes yesterday Elf Senofi Eridania B-Suy Instal UFB Locabali 419.5 - 18.4 246.5 - 12.5 Places
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OTHE FINANCIAL TIMES LIMITED 1994

Thursday October 13 1994

Japan's \$2bn bank rescue breaks barrier

Mitsubishi Bank, one of the world's largest commercial banks, yesterday announced a rescue takeover of the troubled Nippon Trust Bank. The deal is a move towards the consolidation

of a Japanese banking sector crippled by bad debts. Mitsubishi will become the first Japanese city bank, or commercial bank, to operate a full-trust bank subsidiary. It said it would buy Y200bn (\$2bn) of new shares, giving it a 68.8 per cent stake in

Nippon Trust from November 10. figure as high as Y500bn. is already the second largest shareholder, with 5 per cent. Nippon Trust has been struggling under the weight of bad loans made during the boom

years of the late 1980s, when property and other asset prices rose sharply. It acknowledged yesterday that far higher than the official figure of Y130bn disclosed in May. Industry sources put the actual

Nippon Trust plans immediately to write off Y200bm of those loans, producing a collapse in profits in the current fiscal year, according to its president, Mr Tomoaki Hirano.

In the year to March 1995, it would record a net loss of Y163bn, the first post-tax loss in non-performing loans, brought about by the subsequent decline of the property market, were now year. "We have come to the conclusion that asking for outside help is the only way we can sur-vive," Mr Hirano said. With Mit-

subishi's assistance, the trust banking regulations to allow city bank plans a three-year reconstruction programme involving up to 25 per cent cuts in staff and other costs.

The rescue was approved by

the Ministry of Finance when it became clear that Nippon Trust's net liabilities exceeded its capi-tal, according to ministry sources. Officials said the ministry would allow Nippon Trust Bank to continue full operations as a trust bank because of those "exceptional circumstances".
The ministry last year changed

prevent city banks from operat-ing some of the most profitable aspects of trust banking business such as pension fund management and loan trusts.

The decision is likely to create concern among banks that Mitsubishi has been handed an unfair advantage. Most city banks are planning to establish trust banks next year. Unlike Mitsubishi, they will be severely constrained under the new rules.

banks to establish trust bank stood to be unhappy, since Mitsusubsidiaries. But the new rules bishi Bank can now be expected to eat into their core business. Mitsubishi's share price rose by more than 3 per cent on the news

of the merger. Mr Tsuneo Wakai, Mitsubishi's president, said it had agreed on the rescue after considering the need to maintain confidence in the financial system, as well as its long-term relationship with Nippon Trust and a desire to enter the trust banking business. Background, Page 23

Bernard Gray considers the battle for a British submarine maker in the context of a wider conflict

BAe's VSEL bid may face **GEC** counter

Britain's General Electric Company is seriously considering making a cash offer for VSEL to counter an agreed all-share bid for the submarine maker launched by British Aerospace yesterday. GEC has asked Morgan Grenfell, VSEL's adviser, for information made available to BAe during negotiations. GEC is entitled to do this under UK take-over rules if it is seriously considering a counterbid.

BAe's £478.5m (\$756m) agreed bid values each VSEL share at approximately £12.60. BAe has offered 2.747 of its own shares for each VSEL share, with a cash alternative offer of £11.40.

BAe is interested in VSEL because it wishes to extend its interests in shipbuilding, applying the project management skills it has developed in aircraft to other military businesses.

GEC already owns the Yarrow shippard on the Clyde which makes most frigates for the Royal Navy. It wants to buy VSEL to se the amount of business it does as a project manager, rather than acting as an electronics subcontractor to BAe.

Both companies have their eve on the £2.5bn contract to build the next generation of five Trafalgar class nuclear submarines, and the £500m contract for marine landing ships which would be built at VSEL in Barrow in north-west England. They are the largest naval contracts likely to be placed until the £6bn new generation frigate comes on stream in 2002.

GEC would face competition difficulties from Britain's Ministry of Defence if it bid for VSEL because it would then own the two large warship yards left in the UK. The Royal Navy is thought to be particularly unhappy at the thought of one company owning both yards. Mr John Weston, chairman of

BAe's defence subsidiary, said yesterday that companies bidding for naval work needed a warship manufacturing yard to be credible with potential buyers, including the Ministry of Defence. BAe does not currently own a yard. Buying VSEL has strong finan-

cial attractions for BAe. VSEL's large cash pile would cut BAe's gearing to 10 per cent and increase BAe's assets from £1.06bn to £1.33bn. Tax advantages mean that VSEL's profits would also increase BAe's earn-ings substantially. GEC, however, can offer cash, Including money in joint ventures, it has almost £3bn in cash.

The number of UK defe tractors is shrinking rapidly, and the choices left to companies wishing to merge and cut their costs are narrowing fast.

Competition over any defence company up for grabs is likely to be fierce. BAe would apparently have liked to buy UK helicopter maker Westland when GKN bid earlier this year, had GKN not started with an almost unstoppable shareholding.

Now the attention has switched wants to be the project manager



Fortunes of war: British Aerospace's Dick Evans and GEC's Lord Weinstock control the board as the UK defence industry shrinks

tired of its role as a supplier to BAe, is keen to expand its naval presence and become a larger full-scale project manager in its own right.

But other small defence contractors are on their guard. There from air to sea systems. BAe is a great deal of common ground between the mid-life refitting of

Devonport in Plymouth, and their original construction. It would make sense for whoever owns VSEL to own Devonport, which is due to be privatised over

the next 18 months. Land systems - tanks and armoured personnel carriers -

which controls the key contracts muclear submarines, which will range of companies and could in ships as well as aircraft. GEC, soon be done exclusively at well be rationalised too.

Some deals may seem to create strange bedfellows. Yet in the absence of pan-European mergers, companies are having to find their savings where they can. Several of the large US deals, most notably Lockheed's merger with Martin Marietta, has also are also spread out among a wide brought together companies

Savings on central overheads and the ability to manage defence contracts and ministries skilfully are the strongest arguments in favour of the deals. The alternative of remaining independent is almost certainly worse. Editorial comment, Page 17; Lex, Page 18

Bankers Trust retaliates in \$20m derivatives loss case

By Richard Waters in New York

Bankers Trust yesterday hit out against a claim that it was responsible for losses of \$20m suffered by a customer arising from

derivative instruments. In papers filed in the district court in Cincinnati, the US bank claimed that it had fully briefed executives of the company, Gibson Greetings, on the risks asso-ciated with the instruments. Gibson, which lost \$20m on

interest rate swap contracts it file a suit but said last month it bought from Bankers Trust, claimed in a suit filed last month that the bank had misled it about the risks. The bank said yesterday that Gibson had bought the derivatives with full knowledge of how they would behave if the markets moved against the com-

Gibson rejected offers from Bankers Trust on 10 separate occasions to end the contracts, a move which would have limited the company's losses, the bank

The case is being seen as a test of whether corporate treasurers can claim to have been unsuspecting victims when complex financial instruments they buy turn sour. Procter & Gamble, which earlier this year lost \$157m on interest rate swaps it bought from Bankers Trust, has yet to

added.

with interest. said it had not acted as an adviser to Gibson, and the company made its own decisions about the risks.

was watching the Gibson case In its defence, Bankers Trust

The bank said it had been informed that Mr William Flah- Derivatives column, Page 22

erty, the company's chief finan-cial officer, had consulted with Gibson's board before entering the two swap contracts which the

company was trying to repudiate. "Gibson knew that it was taking a position as to the direction that interest rates might move and that [it] would suffer losses if its predictions were wrong," according to the court papers. The losses arose as US interest rates rose, rather than falling. • Gibson came under attack yesterday from accountants Arthur Andersen, sacked as the company's auditor last month. Andersen said there had been a "deliberate attempt" by Cleo, a Gibson subsidiary, to inflate the company's pre-tax income by over-stating the value of inventory. The available for comment.

UK insurer may buy Thai stake

By Norma Cohen, Investments

Prudential, the UK's largest life insurance company, is holding talks about its first significant acquisition in the Asian insurance market, a 24.9 per cent stake in Thai Sethakit Life Assurance. T.S. Life is the second smallest of the 12 Thai insurance companies and has a market share of about 1 per cent. Its market capitalisation is \$58.46. Rules in Thailand do not allow Prudential to

acquire a stake of more than 25 per cent in T.S. Life. Morgan Grenfell Thai Company, financial adviser to TS Life, said existing shareholders have provisionally agreed to sell their shares at Bt65 (\$2.60) each and that the sale should be com- region to date has been through

pleted in November this year.If the deal is completed, Prudential will provide T.S. Life with technical support, international expertise, new product development. computer systems, training, mar-

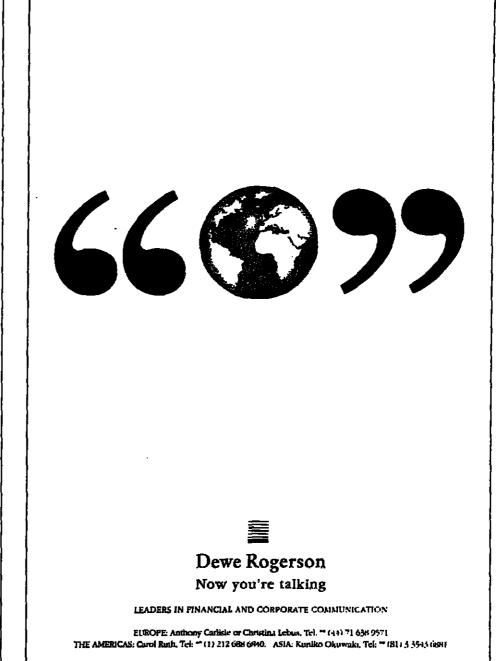
keting and management skills. T.S Life said the Thai insurance market has experienced recent growth of over 20 per cent a year. "With increasing pressure to liberalise the Thai insurance market, we believe T.S. Life is now well positioned to compete with new foreign entrants to the market and to expand as the mar-

ket develops," it said. Prudential's chief executive, Mr Mick Newmarch, has identified Asia as one of the key growth areas for the company. Most of its expansion in the

operations in Australia, New Zealand, Hong Kong and Singapore. Prudential has also begun particinating in the Malaysian insurance market.

Last year, Prudential opened an investment management office in Hong Kong to handle regional investment activities. It has also opened three representative offices in China as the first step towards obtaining licences to sell insurance products there. According to the Prudential's annual report, Asian activities

are providing the some of the most rapid growth of all its operations. New premium income from Hong Kong in 1993 rose 43 per cent from the 1992 level, while that from Singapore rose 18



Ebner denies seeking control of Swiss bank

By Ian Rodger

BK Vision, the largest shareholder in Union Bank of Switzerland, has denied UBS charges that it is trying to take control of the bank and close its large retail business.

UBS has called an extraordinary shareholders' meeting for November 22 to approve its plan to convert the bank's registered shares into bearer shares, thereby eliminating their extra voting power.

BK Vision, an investment company controlled by Mr Martin Ebner's BZ banking group, holds more than 18 per cent of the registered shares.

If the board motion succeeded, the premium on the registered shares, now more than 20 per cent on the bearer shares, would disappear. This would result in large losses for registered shareholders.

Mr Ebner said BK Vision could not gain control of the bank because of restrictions limiting individual registered shareholders to voting a maximum of 5 per cent of the voting capital. He denied UBS charges that he was putting together a concert party of shareholders. However, he believed that a majority of UBS shareholders

could soon be attracted to BK's

ideas for managing the bank. Last spring, BK won 40 per cent of the votes at the UBS annual meeting for its motion to reduce the number of directors from 22 to a maximum of nine. Mr Ebner said most of the votes against him were

mism on future motions. He described charges that BK wanted UBS to abandon its retail banking business as "grossly overblown". The bank needed a strong refinancing base in Switzerland for its investment banking business.

proxies held by the board, pro-

viding grounds for his opti-

BK's aim since its formation late-1991 was to to make UBS more sensitive to shareholder interests, notably a higher return on equity. It was disappointed with the

results to date and with the board's negative reaction to its suggestions. BK opposed the elimination of the registered shares and would demand that registered shareholders have the right to vote separately on the motion. UBS claims that a two-third majority of all votes and a simple majority of the capital would suffice.

Mr Ebner said there were several avenues of legal action open to BK if the UBS board's plan to eliminate the registered shares carried at the EGM.

Postipankki sinks deeper into the red

By Hugh Carnegy in Helsinki

Postipankki, the state-owned Finnish banking group, yesterday reported sharply deeper losses in the first eight months compared with the same period last year as falling income from financial operations and rising costs eclipsed a promis-

ing decline in credit losses. Operating losses mounted to FM463m (\$85.7m) compared with a loss of FM66m in the first eight months of 1993. Mr Seppo Lindblom, chief executive, said the result was worse than expected and warned of further losses.

Net income from financial operations tumbled by FM361m to FM1.42bn due to lower-thananticipated returns from treasury operations. The bank said it was "not entirely successful" in predicting domestic and international market trends and had incurred heavy bond trading losses. These included a FM237m loss on Finnish government bonds for which Postipankki is a market maker.

Group expenses jumped to FM1.85bn from FM1.43bn mainly due to costs associated with Postipankki's takeover in 1993 of a one-fourth share of the Savings Bank of Finland.

Kone dips but expects gains over full year

By Christopher Brown-Humes in Stockholm

Kone, the Finnish lifts group which on Monday agreed to buy Montgomery Elevator of the US for \$280m, saw underlying profits dip slightly in the first eight months. However, it expected full-year figures to be higher than in 1993.

Group income after financ ing items amounted to FM167m (\$31m), against FM192m a year earlier. The 1993 figure included a FM21m currency exchange gain. Kone said comparisons with last year were distorted by a 9 per cent strengthening in the

Finnish markka and the sale of a number of non-core operations. Sales in the latest period were FM4.8bn, just under last year's level allowing for

divestments and currency fac-

Operating profits fell to FM205m from FM299m but the impact was offset by a sharp reduction in interest costs to FM53m from FM145m.

Mr Gerhard Wendt, presi-

dent, said the important European market remained sluggish, as improving areas were balanced by those in recession. New elevator orders and maintenance contracts were 4 per cent higher on an underlying basis at FM3.54bn. The group saw higher orders from the UK, Germany, Italy and Australia but there were declines in Sweden, Finland, France and Belgium. The group expected new orders for the full year to equal last

year's FM5.71bn. The group has tried to lift operations in Asia and build up the maintenance side of its business. At the end of August it had 363,000 units under

Kone has sold its cranes unit. a wood unit, and Mac-Gregor-Navire, a supplier of shipboard handling equipment, since the end of August

These helped reduce the interest-bearing debt to FM400m at the end of August from more than FM1bn at the end of 1993 and strengthened the financial position.

Telecom Italia fights ruling on Telsystem

Telecom Italia, the Italian telecommunications operating company, is to appeal against a court ruling earlier this week, forcing the group to open its network to increased competi-

Telecom Italia said yesterday it favoured liberalisation of the sector, but only if properly coordinated.

Milan's appeal court ruled on Monday that Telecom Italia had to provide leased lines for Telsystem, a small Italian company seeking to sell telecoms services to businesses, in competition with the main Italian operator. Telsystem had argued that

without such a provision, it risked going bankrupt, because Telecom Italia had not leased sufficient lines to construct a "virtual" network for its cli-The ruling is a temporary

In theory, it is only a substi-tute for EU rules on the liberalisation of telecom services, which were supposed to come into force throughout the Community at the end of 1990, but have yet to be enacted by Italy. However, according to Telsystem and its advisers it is a big

step forward for those who

injunction, pending a decision on the case by Italy's anti-trust authority on the substance of

Ms Alessandra Perrazzelli, of Brosio, Casati e Associati, the lawyer representing Telsystem. said yesterday: "Of course. what we want is to win the anti-trust case. But the impor-

tance of this ruling is two-fold. The court is telling Sip [the domestic telephone monopoly] it can not go on with the monopoly on lines, but [the ruling) is also very important because it says you don't only have to give leased lines now,

future." However, Mr Umberto Silvestri, chairman of Telecom Italia, said last night that under the current state of Italian law "there is no doubt that we have a legitimate monop-

you have to give them in the

If upheld, the ruling could add to the pressure on Telecom Italia and its state-controlled parent company, Stet, which are already attempting to manage a difficult programme of

The fusion earlier this year of five telecoms operators. including Sip, to form Telecom Italia was part of this pro-The Italian authorities are

now preparing for the sale of their outstanding shares in Stet, which should take place

At the same time, Telecom

want to see Telecom Italia's Italia is having to adapt swiftly monopoly broken up. Italia is having to adapt swiftly to the 1998 deadline set by the Community for opening up ordinary telephone calls to

competition. Between 1992 and 1998, Telecom Italia is set to spend more than L50,000bn (\$31bn) on investment, which includes modernising the Italian network for the coming multimedia technology.

At the same time, the group must continue to rebalance its tariffs to fall in line with international competition. Mr Silvestri estimates that domestic telephone charges in Italy will have to rise by 25 per cent, while international charges among the highest in Europe may have to fall by about the same amount

More urgently, Italy's state telecoms companies are searching for a partner, to give themselves a place alongside other European competitors, such as France Telecom and British Telecom, many of which have struck defensive deals with giobal operators such as AT&T

Mr Silvestri says the search for a global alliance is a priority, and adds that Telecom Italia is negotiating with "three or four" companies. "We have to find a medium-sized operator - not large, because we don't want to be choked."

He is hoping the form of



Umberto Silvestri: 'we have a legitimate monopoly'

Stet's privatisation will be decided soon, because uncertainty could delay the conclusion of such talks.

Advisers to the sell-off should be named shortly, and the government will have to decide, with their assistance, whether and how to limit foreign control of Stet. for example, by retaining a golden share, or forming an Italiandominated hard core of inves-

Telecom Italia's second priority, according to its new chairman, is to adapt a bureaucratic

"Our managing class is very high-calibre, but it's a class which has managed a monop oly for 60 years," says Mr Silvestri. himself a long-serving executive in the state sector. Between 1994 and 1998, we have to change the culture: a large company has to become a 👩

competitive company."

In this respect, this week's decision by the Milan court of appeal could provide an incentive to accelerate those changes, even if the business represented by leased lines only represents an estimated 5 per cent of Telecom Italia's total domestic turnover.

Amec stake in Portugal sold

By Peter Wise in Lisbon and Andrew Taylor in London

Amec, the engineering and construction group, has sold its stake in Engil, a Portuguese construction group, for Es2.7bn (\$16m). The UK group joins other international constructors, including Bouygues of France, in pulling out of joint ventures in Portugal. Amec recently sold its 20 per cent stake in French construction group Ser-

ete for £11.3m (\$17.85m) to the company's management. The sales are part of a reassessment by the UK group of the suitability of its minority stakes in continental European companies. Minority stakes in domestic and

cross-border rivals are popular in countries such as Germany, France and the Netherlands. However, they are generally considered unattractive in the UK and Italy, where companies prefer to have majority control in subsidiary

Matthew Clark takes over Gaymer Group for \$172m

By Christopher Price in London

Babycham, Olde English Cider and Concorde British wine, three of Britain's best-known drinks brands. were yesterday sold as part of the £109m (\$172.22m) takeover of Gaymer Group Europe by Matthew Clark.

The move will give Clark, which boasts Warninks and Stones Ginger Wine among its own brands, a near 50 per cent share of the domestic fortified wine market through the merger of its Old England products and Gaymer's QC range. The company said it believed there would be no referral to the Office of Fair Trading.

The deal is to be funded through a rights issue, Clark's third in 18 months, in a move which will more than double its share base to 45.8m

The 3-for-5 issue at £5.00 a share will raise £64.4m in cash, most of which

will be used to pay off Gaymer's £53.5m of debts. Clark shares yesterday

closed down 36p at 589p.

The £55.6m balance of the purchase price will be paid through the issue of Clark shares to the venture capital investors, who represent around 94 per

Gaymer made pre-tax profits of £8.1m in the year to February 28 against £8.6m the previous year. Turnover rose from £135.7m to £143.3m. For the year to the end of July, Clark made profits of £10.3m on turnover of £174m. Gaymer, which was subject to a £105m management buy-out two years ago, had been expected to float on the stock market later this year, and yesterday's move took industry analysts

by surprise. Mr Michael Cotterill, chairman of both Taunton and Matthew Clark, yesterday resigned from his post at Taunton, citing a conflict of interest.

SGS profits rise by 5.5%

Société Générale de Surveillance (SGS). the world's largest inspection and test-ing group, said its pre-tax profits in the first eight months were up 5.5 per cent on a 3 per cent rise in fee income.

Mrs Elisabeth Salina, chairman of the Geneva based group, said operating profits should continue to show "satisfactory growth" in the full year, although net income would rise to a lesser extent. No figures were given.

In the first eight months, fee income was up 10.5 per cent, expressed in local currencies, of which 8 per cent came from internal growth. Fee income rose 9.2 per cent in Europe and 18.4 per cent in North America.

The operating margin was in line with the 9 per cent achieved in the whole of 1993. Net income rose in spite of lower financial revenues and a SFr10m (\$7.70m) provision for unrealised losses on securities.

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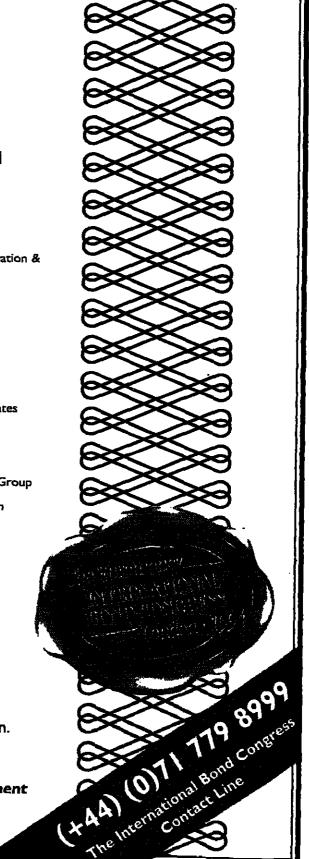
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INTERNATIONAL COMPANIES AND FINANCE

Gerstner sees progress from IBM shake-up

By Louise Kehoe in San Francisco

Mr Louis Gerstner, who took over as chairman and chief executive of International **Business Machines 18 months** ago, claimed yesterday he had succeeded in making the lumbering giant of the computer industry more fleetfooted.
"The elephant is dancing,"

Mr Gerstner said, "but it is not going to be in a Fred Astaire movie too soon".

Answering questions at his first European press conference since taking charge of the alling US computer manufac-turer last year, Mr Gerstner said one of his main tasks was to speed up the responsiveness

of the company.
"I think we have made a lot of progress," he said, but added that "18 months is not a very long time and this process will take longer".

Next week, IBM will report its third-quarter results and Wall Street analysts are expecting the company to continue its progress with earnings of around 90 cents a share, compared with an operating loss of 12 cents a share in last year's third quarter.

The IBM chairman declined to comment on persistent speculation that the company may take an equity stake in Apple Computer. But he confirmed that IBM has "ongoing discussions with Apple in the areas where we have very important joint activities". These include joint development of PowerPC microprocessors and two soft-

ware joint ventures. Mr Gerstner said IBM had a continued commitment "to be the basic foundry" of the computer industry, but too often it had developed new technology only to see competitors exploit it more quickly. There have been many examples where other companies have exploited that technology fas-

He said IBM expected to ship casting demand.



Louis Gerstuer: confirmed discussions with Apple

rsonal computers based on the PowerPC microprocessor. jointly developed with Apple Computer and Motorola, in the first quarter of next year. Apple and Motorola are

already selling PowerPCs.
On the restructuring, the IBM chairman said progress in Europe towards meeting competitive cost levels was ahead of schedule and that the group as a whole was on target to reduce its worldwide workforce

to 215,000 by year-end.
Asked if he was satisfied with IBM's share of the PC market, which has fallen to about 10 per cent from about 14 per cent over the past year, he acknowledged that IBM had had some problems.

He said that these included failing to accurately forecast demand for some products. In the US, orders for IBM's new Aptiva PCs, introduced last month, were running far ahead of production plans.

Mr Gerstner said IBM also faced product shortages in its latest data storage products and in mainframe computers. where the company had been unable to keep up with cus-tomer demand. He said some IBM managers might have

Weyerhaeuser's profits disappoint Wall Street

By Laurie Morse in Chicago

Continuing strength in timber in 1993's third quarter. Weyerprices and rebounding built and packaging markets boosted Weyerhaeuser's third quarter earnings, but the profits jump fell short of Wall Street's expectations, pushing the company's stock price down \$1% to \$41% in early trading yesterday.

Weyerhaeuser, the world's largest private owner of saleable softwood timber, reported third-quarter earnings - before extraordinary charges - of \$144m, or 71 cents a share, compared with income of \$67m, or 32 cents, a year earlier.

Sales for the quarter were \$2.68bn, up from \$2.32bn. Analysts had expected Weyerhaeuser to earn about 77 cents a share in the quarter.

For the year to date, Weyerhaeuser earnings total \$399.8m, or \$1.95, on sales of \$7.6bn, compared with \$477m, or \$2.33, on sales of \$6.9bn for last year's corresponding period. The company's pulp, paper and packaging arm saw operat- jumped 47 per cent.

ing earnings jump to \$63.5m in the quarter, from a mere \$2.5m euser's dig iorest product division's operating earnings rose to \$246.1m, from \$165.8m.

"The company continues to realise steady improvements in earnings as the momentum in the recovering pulp, paper, and packaging markets continues," Mr John Creighton, president,

"At the same time, our timberlands and wood products performance remains strong in spite of increasing interest rates. While it appears that housing starts in the US have peaked, we are in the early stages of the economic recoveries in Europe and Japan which bodes well for continued strengthening in our pulp and paper businesses.

Weyerhaeuser is the second big US forest products com-pany to fall short of analysts' estimates this quarter. On Tuesday, International Paper's stock fell after it announced that third-quarter profits had

Tenneco to spend \$73m in production upgrade

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October 13, 1994, London By: Ctibank, N.A., (Issuer Services), Agent Bank CTTBANCO

By Laurie Morse

Tenneco plans to spend \$73m upgrading the linerboard capacity at its Packing Corporation of America division.

The investment will boost PCA's linerboard output by 16 per cent and give Tenneco a stronger hold in the rapidly rebounding containerboard

Linerboard is used to make corrugated boxes.

The investment in its packaging division is part of Tenneco's strategy to redeploy capital into high-return growth opportunities in its packaging, automotive parts and natural gas businesses. Last week, the company announced a \$60m acquisition for its Tenneco Gas

Tenneco is in the process of spinning off its J. I. Case farm equipment subsidiary. Analysts expect Tenneco to

use the proceeds from Case's sale to make a \$1bn acquisition in either packaging or vehicle parts during the next year.

Mr Dana Mead, Tenneco chairman, has said that a significant European acquisition is in the works which could be completed by year-end.

The linerboard project will add new equipment to an existing linerboard machine at PCA's mill in Counce, Tennessee, already the largest of PCA's five linerboard production sites. The upgrade will add 120,000 tons of annual production to PCA's existing linerboard capacity of 2m

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B BANQUE PARIBAS

Study makes new claims of Nasdaq collusion

Allegations that dealers conspired on prices give fresh impetus to legal action, says Patrick Harverson

new twist has been added to the debate A added to the debate about pricing on the Nasdag stock market. Four months after a US academic study claimed that dealers on the Nasdaq colluded to keep spreads between buy and sell prices unnecessarily wide, a second study by the same university professors has given the debate new impetus.

The National Association of Securities Dealers (NASD). which runs the screen-based Nasdaq market, vehemently rejected the claims in the first study - but this time it is ref-

using to comment.
Reticence is probably well-advised, because the issue is at the centre of a legal battle that could culminate in some of Wall Street's biggest firms paying out millions of dollars to investors

When the first study on spreads was published in May by Mr William Christie of Vanderbilt University and Mr Paul Schultz of Ohio State University, it prompted the filing of scores of class action law-suits against the Wall Street firms which act as dealers on

The lawsuits alleged that col-lusion between the dealing firms to keep spreads wide deprived investors of the best possible price on share trades and violated US anti-trust

Wide spreads are regarded as bad for investors because they

Deloitte and

Touche sued

for \$250m

deny them the opportunity to pay a little less when buying a stock or receive a little more when selling. For dealers, the wider the spread, the bigger the profit they make.

The lawsuits relied heavily on the findings of the Christie-Schultz study, but now lawyers have more ammunition to use against the Nasdaq dealers as the second study, by the same two authors plus another Ohio State finance professor, Mr Jeffrey Harris, claims to have found fresh evidence of collu-

While the first report said the dealers had been conspiring for years to keep spreads wide, the new study says dealers have since colluded to narrow their spreads.

According to the three pro-fessors, within days of the study's publication in Mav attacking dealers for the wide spreads, Nasdaq dealers nar-rowed the spreads they quoted on some of the market's biggest stocks, including such well-known companies as Microsoft, Intel and Apple Computer.

More specifically, the professors claim that whereas before the first study, dealers invariably quoted their buy and sell prices in even-eighths of a dollar - \$%, \$%, \$%, or a whole dollar - the day after newspapers reported the study's critical findings dealers began quoting prices in the longneglected fractions



odd-eighths, such as \$14 and \$%, as well as even eighths. For example, before the first study was released dealers would quote investors \$501/2 if they wanted to buy a company's stock and \$50% if they wanted to sell. After the study was publicised dealers would quote \$50% to buy and \$50% to

sell - a spread of only \$%, compared with \$% before. After the first study was

reported on May 26, the change in spreads was sudden and dramatic, says Mr Christie. "Starting from May 27, marketmakers began using oddeighths en masse. There was a complete switch." And it was not just a case of

a few firms using quotes of odd-eighths. For each stock they looked at, says Mr Christie, "there was a minimum or 40 marketmakers, and some

stocks had over 60". These firms, he claims, had not used odd-eighths in years. "Suddenly, they all started using

When asked what conclusion could be drawn from the dealers' actions, Mr Christie responds: "Cynically, you could say that it was good of Paul [Schultz] and I to remind them that they had these oddeighths available.

Alternatively, he says the fact that they all moved at once suggested the change had been co-ordinated. "Our evidence suggests spreads nar-rowed because an implicit agreement among marketmakers to maintain spreads of at

Although the professors imply that the dealers colluded to narrow spreads because of publicity surrounding the original study, they nevertheless welcome the resultant cost savings to investors. They calculated that after the shift to narrower quotes using oddeighths, investors' transaction costs declined by 40 per cent to

50 per cent. When Mr Christie and Mr Schultz published their first findings in May, the NASD said there was no evidence of collusion between dealers and argued that what investors lost through wider spreads, they gained in the guarantee of liquidity afforded by the multi-

ple dealer system. If spreads were narrower, the

NASD said, dealers would find it harder to make a profit and some would be forced to abandon making a market in stocks. The subsequent reduction in liquidity would only harm investors.

This argument, however, appears to have been under-mined by the second study, which found that after dealers started using odd-eighth quotes and effectively halved the size of spreads, the number of marketmakers in each stock did

¬ he second study threatens to greatly embarrass the NASD greatly because for its findings strike at the heart of the very structure of the Nasdaq system, which the NASD trumpets in television advertising as "the stock market for the next 100 years". Under the system, investors are meant to get the best price service because competition among multiple dealers for orders should keep

spreads narrow.

There is little doubt that the new study will be used by lawyers in the cases that have been filed against several Nas-

daq dealers.
Although it is still early in the legal process, lawyers involved in the class action suits estimate the damages that will be sought from dealers by disgruntled investors could be as much as \$100m for every trading year.

menser-B

TWA mounts restructuring campaign

By Richard Tomkins in New York

Trans World Airlines, the US By Tony Jackson in New York airline struggling to avert a financial crisis, yesterday

US management consulting arm of Deloitte and Touche, the world's fifth biggest accountancy firm, is being sued for \$250m.

Figgie International, a struggling Ohio-based group, alleges that Deloitte failed in its promise to install a world class manufacturing programme for the company.

While it is not uncommon for accountancy firms to be sued, it is very unusual in the case of management consul-

Figgie says that over a three-year period beginning in late 1990, Deloitte promised "to develop and transfer technologies that would improve anutacturing torougopu [and] decrease inventory levels". It claims to have paid Deloitte fees and expenses of over \$22m, and to have been

billed for a further \$33m. In the event, Figgie moved from a net profit of \$63m in 1989 to a loss last year of \$129m. Having breached financial covenants, it was forced into a financial restructuring

Figgie's business ranges from electronic systems and materials handling equipment to insurance, sports goods and real estate.

Figgie says "the consulting firm at various times misrep-resented to Figgie the progress class manufacturing projects it designed and implemented".

It also claims Deloitte failed

to staff the projects with professionally competent

Engen in line for ITT chair

By Richard Waters in New York

Mr Travis Engen has been put firmly in line to take over the top job at ITT, the US manufacturing, hotels and financial services group, when chairman Mr Rand Araskog retires in two years.

Mr Engen, 50, will take on responsibility for the group's insurance subsidiary and its communications and information services division in January. With the three manufacturing divisions he already runs, he will be in charge of businesses generating threequarters of FTT's \$22bn sales.

Mr Engen takes on his new responsibilities from Mr Dale Comey, who is to retire at the age of 52. ITT said there was "nothing sinister" in Mr Comey's departure. He simply wanted to retire early.

started campaigning to win support for a sweeping finan-cial restructuring that will nearly halve its debt. leveraged buy-out. It emerged from a chapter 11

Late on Tuesday, TWA announced a rescue plan under which creditors are being asked to swap \$800m of the company's \$1.8bn debt for new equity, taking their stake in the airline from 55 per cent to possibly 70 per cent. Employees, who now own 45 per cent of the airline, would see their

If the rescue plan succeeds. TWA believes it will be able to survive the lean winter months and return to profitability next

stake diluted to as little as 30

Audi, the executive car

division of Volkswagen of Germany, is planning to invest

DM730m (\$474m) in a new

engine manufacturing plant in

Hungary over the next five

years, it said yesterday.

The initial investment will

be DM320m and the plant will

be Audi's first 100 per cent-owned manufacturing base

outside Germany. It is one of

the biggest post-communist foreign investments in Hun-

gary and one of several in its

nascent car manufacturing sec-

tor which has attracted invest-

ments from General Motors of

The plant, which opened yes-

the US and Suzuki of Japan.

in Gyor, Hungary

almost certainly have to file for some form of bankruptcy protection again.

TWA, once one of the world's biggest and best-known airlines, last went into bankruptcy protection in 1992, weighed down by debt from a

reorganisation in November last year, but has not made a profit since. Earlier this year, most of the

airline's senior executives were

replaced. Since then, many unprofitable routes have been axed, the airline's Atlanta mini-hub has been closed, 3,000 jobs cuts have been announced, and the airline's labour unions have agreed to productivity increases worth \$130m-\$140m a

Yesterday Mr Robert Peiser, If it fails, the airline will TWA's present financial diffi- a risk.

Audi plans to invest DM730m

terday, will be the first to man-

ufacture a new five-valve cylin-

der engine developed by Audi for its new A4 model, the suc-

cessor to the Audi 80, due to be

located in Gyor in western

Hungary, will employ 250 peo-ple and produce up to 750 1.8

litre engines a day. Production is scheduled to rise to 2,000 a

day by 1997. A third phase would extend the scope of the

local production and employ

860 people, the company said. From 1996, the engine will be used for the Audi A6 and the

planned A3 and may be used

by Volkswagen and its SEAT and Skoda subsidiaries.

The company said it aimed

In the first phase the plant,

unveiled in Munich today.

in Hungarian engine plant

culties on over-optimistic revenue assumptions by the previous management. When the expected revenues failed to emerge, he said, the airline had found itself unable to cover its

The new management, Mr Peiser said, had changed strategy by concentrating on costs. Our revenue forecast for next year is about flat with this year, and yet we see substantial profitability because of the cost savings we already have

TWA's problem is that all its credit facilities are drawn and it has insufficient cash to pay its debts. If it is to stave off looming bankruptcy, it has to persuade its creditors to swap their debt for equity.

Some analysts question whether creditors holding debt secured on the airline's assets

years but ruled out full-car

manufacturing in Hungary. The group had an option on a

further 230,000 sq metres of land, as well as its existing

Future investment decisions

would depend on demand for

the new engine and on

whether Hungary retained its cost advantages, it said. The project will be exempt from profit tax for the first five

Audi chose the site in Gyor

after looking at 180 locations in

Europe. Hungary has lower production costs than eastern

Germany and Austria while

Hungarian labour costs in car

manufacturing are about one-

years of operation.

250,000 sq metre site, it said.

TWA is proposing to treat the various classes of debt-holders differently, asking those with the least secured debt to take

the most equity.

The proposal is backed with a threat, too. TWA says that if some creditors do not agree to the restructuring, it will file a pre-packaged bankruptcy plan - one reached with the prior consent of some creditors which would be aimed at impairing the rights of those who held out against the

"It would be a tactical strike, a narrowly-focused option targeted at those people who did not co-operate," Mr Peiser sald.

TWA would nevertheless need the support of at least two thirds of its creditors before it could file such a plan. Over the next few weeks, it attempt to secure it.

Fannie Mae 14% ahead in third quarter

By Richard Waters

Federal National Mortgage Association (Fannie Mae) increased its after-tax earnings by 14 per cent in the three months to September, despite the sharp fall-off in mortgage refinancings in the US this year caused by higher interest

Net interest income of \$727.7m was up 10 per cent from a year before, reflecting a narrowing of the company's net interest margin from 140 basis points (hundredths of a percentage point) to 125 basis points.

Net earnings of \$542.7m, or \$1.98 a share, were in line with analysts' expectations, and up from \$477.2m, or \$1.74, a year

UAP shares slide in wake of results

By Ralph Atkins

Shares in Union des Assurances de Paris, one of France's largest insurance group, fell sharply yesterday after it posted figures indicating the impact of turbulent bond and equity markets on its assets had been worse than

UAP shares dropped FFr6.80 to FFr131.70 following publication of results late on Tuesday showing consolidated profits down 22 per cent to FFr853m (\$161.2m) in the first six months of the year.

Mr Jacques Friedman, UAP chairman, predicted that final 1994 results would show an improvement over 1993. "but not to the extent of the objecvery different conditions a few

months ago". The group revealed yesterday that the market value of its insurance companies investments was FFr625bn at the end of June, compared with FFr672bn at the end of last year. Unrealised capital gains fell to FFr45bn at the end of June from FFr81bn at the end of last year. Analysts attributed the drop largely to the performance of European

bonds and equities.

Though UAP believes that insurance market conditions are improving, it acknowledged that the deterioration of property as well as financial markets had a negative impact on its results.

The group expects Banque Worms, the combined commer cial. merchant and investment bank it controls, to break even in 1995 and make a profit the following year. The bank is estimated to have cost UAP FFr6bn since 1991 but many of the banks worst property loans have been transfered to insur-

Spotlight turns on new commodities fund

Investors are becoming increasingly interested in the sector, writes Graham Bowley

The launch last week by Barclays de Zoete Wedd of a commodities fund has thrown the spotlight on an asset class in which investors are showing increasing interest.

The fund will purchase a range of financial instruments whose returns are linked to the value of underlying commodities, offering investors a new route into a market traditionally difficult to access.

Its aim is to outperform a benchmark of commodity prices - the Goldman Sachs Commodity Index - including energy, agricultural and livestock products, and industrial materials and precious metals, weighted according to world

Although it is the first to be listed in London, it is one of a number of recent initiatives offering investors exposure to commodity-based derivatives. Last month, for example, Japanese regulators licensed six firms to offer investment funds specialising in futures and options on commodities.

E.D. & F. Man, the UK com-

modity broker, which already

has about \$440m under man-

agement allocated to commodi-

itles fund this month. The range of individual derivative instruments on offer to these funds, and to investors in general, has also widened recently.

ties, is set to launch a commod-

DERIVATIVES

"These tools allow investors to take financial positions in commodity markets, without the physical exposure. They can use commodities as part of their portfolio along with more traditional investments like bonds and equities," said Ms Emma Conyers, an associate responsible for commodity investor marketing at J.P. Morgan.

Among products being marketed are: Commodity linked notes, which have a maturity of anything between six months to two years or longer, offer the investor either a principle or interest rate which is tied to

basket of commodities. Commodity-linked warrants allow investors to buy call or put options which are listed on their own right.

the price of a commodity or

an exchange. Options give the holder the right to sell (a put option) or buy (a call option) commodities in the future at a price determined at the outset. "A significant activity this year has been in commodity call option warrants which allow investors to participate in rising prices," said Mr Martin Fraenkel, manager of commodity risk management at Chase Manhattan bank in London.

 Another instrument which is more common in the US than in Europe - is the limited partnership, in Which the investor becomes a partner in the commodities fund and so benefits directly from the profits the fund makes. Investors can also buy

shares and bonds issued by the funds - the value of the share and the coupon offered on the bond vary in value with the profit the fund makes. With bond and equity mar-

kets plummeting, commodities have come into their own as protection against rising inflation, as a play on economic growth, and, increasingly, as an alternative asset class in

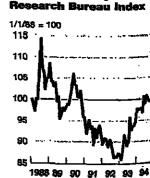
Investors have become increasingly interested in assets that have, on some basket measures, risen in price by around 23 per cent this year alone. They are also attracted by the fact that prices of commodities, such as oil and gas, zinc and copper, are inversely related to bonds and equities commodity prices rise while bond and equity prices fall, "Over the last 10 years, com-

moditles have been a very dull asset," said Mr Graeme Stephens, corporate finance manager at E.D. & F. Man in Switzerland. "But now there is a resurgence in commodity prices, driven by economic growth in both the developed and developing world, and a resurgence of interest in commodities themselves."

But what happens when the world's economic cycle moves on and commodity prices begin to fall again? Many prices have already

risen to such an extent that that some people are questioning how much further they have to rise. Will commodity derivatives and commodities funds then go out of fashion? "it works both ways," said

NYFE Commodity Research Bureau Index



Source: Datastream Mr Stephens. "What we want to see is price movement up or down. We can exploit movement in either direction using derivatives."

"This commodities bull mar-ket is a little bit different from others," said Mr Fraenkel. This time the increased sophistication of derivative instruments has reduced the barriers to entry, and this greater ease of access means investors will maintain their exposure to commodities to keep the diversity of their port-

Oeutsche Bar

INTERNATIONAL COMPANIES AND FINANCE

Japanese takeover brings new stresses

Mitsubishi Bank will take advantage of its current monopoly, writes Gerard Baker

he implications of yesterday's takeover of Nip-pon Trust Bank by Mitsubishi Bank go far beyond the narrow question of the viability of one small trust bank; it will produce new stresses in Japan's fragile and overcrowded banking sector.
In rescuing the ailing bank,

BAYTH HURRIST

llusion

trick Harverson

. . . -

I'AP shares

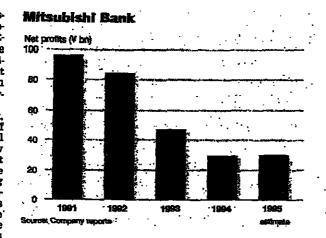
slide in wake

of results

A fig. . Att.

Mitsubishi, already one of Japan's strongest financial institutions, but limited by law in its scope, becomes the first to be permitted to conduct the full range of trust banking operations. Although Mitsubishi has paid a high price for its entrance into this lucrative market, its competitors are concerned that the move gives it an unfair competitive advantage, and are likely to step up pressure on the regulators to open up the financial markets

For years, the labyrinth of regulations in Japan's financial sector firmly restricted the activities of the participants. City banks, large commercial lenders such as Mitsubishi, were allowed to conduct the mainstream business of wholesale and retail borrowing and lending. Trust banks ran trust banking operations such as pension fund management; long-term credit banks engaged in investment finance; and brokers were restricted to underwriting and trading securities. But in the past decade, under



to deregulate, the ministry of finance has pursued a gradual policy of removing the partition walls. All banks are now permitted to run limited broking businesses, brokers can operate banking-style deposit accounts, and last year the ministry allowed city banks to establish trust bank subsid-

So far these measures have been cautious in scope. Banks may conduct only limited securities business, and the trust banks' deregulation does not allow city banks to conduct the most profitable aspect of their business, pension fund management and loan trusts. These restrictions were designed to protect the existing companies' pressure at home and abroad core business.

But yesterday's move by Mitsubishi, sanctioned by the finance ministry, drives a coach and horses through the rules, enabling the bank to conduct the full range of trust business, and giving it a sub-stantial advantage both over rival city banks and the exist-

itsubishi has paid a substantial price for what amounts to a trust banking licence. The Y200bn (\$1.98bn) injection of capital is well above the target company's market capitalisation of Y107bn. The return is just 50 per cent of the future

few years. Declared non-performing loans at the bank are around Y130hn, but the true value of bad assets including restructured loans is closer to Y500bn (28 per cent of the total loan book), and substantial provisioning is therefore likely to weaken profitability further. Ms Alicia Ogawa, banking

analyst at Salomon Brothers in Tokyo, said Mitsubishi is calculating that the longer term benefits of a trust bank operation will outweigh the considerable cost of the takeover. "In the short-term, it is an expensive purchase, with little prospect of any early significant return from Nippon Trust itself. But Mitsubishi is counting on its being well-positioned to compete in the fund management market, especially in the pensions area "

The stock market appeared to share that view. Mitsubishi's shares rose by nearly 3 per cent as investors anticipated the longer-term advantages.
But the key to the bank's

success may depend on how long it has the field to itself. City banks and trust banks were both yesterday reported to be upset at the decision to approve the takeover. Trust banks had lobbied

hard to prevent the hig commercial banks from encroaching on their territory and the ministry's decision represents Those profits are unlikely to a significant blow to their marshi is set to amount to much in the next ket position. The deal is likely oly privilege.

relationship between the city bank and Mitsubishi Trust and Banking Corporation, a sister bank in the giant Mitsubishi keiretsu, one of Japan's largest corporate groupings.

ome analysts expected Sthe finance ministry, under pressure from other banks, to hasten a wider deregulation of the banking sector. But officials were adamant that the decision was a special response to a particular crisis at Nippon Trust. They pointed to parallels with the takeover of Cosmo Securities, a medium-sized broker last year by Daiwa Bank. No other banks have subse

quently been permitted to operate the full range of broking activities, and the ministry has no plans to allow them. But it will be the chronic fragility of the entire banking sec-

tor that will ultimately decide the pace of further liberalisation. Although Nippon Trust was clearly the weakest of the trust banks it was by no means alone in having a huge portfolio of bad debts.

The likely solution lies in further consolidation of the industry. That will, in time, eliminate the demarcations of the financial markets faster than the ministry plans. For the moment, though, Mitsubishi is set to exploit its monop-

many courts. "It must be admitted that it is out of date,"

Budvar is keen to link with

Anheuser-Busch to expand

sales of its own Budweiser

brand. Its main export markets

are Germany and Austria, but

it is seeking to expand into other European markets, par-

The company reported profits of Kcs133m (\$4.8m) in the

Anhenser-Busch said any

new agreement reached

would not be as comprehen-

ticularly the UK.

first half of this year.

he said.

NEWS DIGEST

Downward trend continues at Ciba as sales fall 2.4%

Ciba, the Swiss chemicals and pharmaceuticals group, reported a 2.4 per cent drop in sales in the third quarter to SFr5bn (\$3.9km) and softened its profit forecast for the full year, writes Ian Rodger in Zurich. Ciba blamed the strength of the Swiss franc for the downward trend, which was already

apparent in the first half

The performance of the important health-care sector, which accounts for 38 per cent of group sales, continued to deteriorate in the face of pressures on healthcare costs. Its sales were down 9 per cent to SF12.1bn in the third quarter while those of the pharmaceuticals division fell 8 per cent to SFrL47bn

Sales in the industry sector, covering mainly chemical businesses, were flat at SFr2bn. This was a slight improvement over the previous two quarters, "due to a modest economic recovery".
The agricultural sector also had flat sales of

SFr847m, after a 2 per cent fall in the first half. For the nine months, group sales were down 3 per cent to SFr16.5bm, but Ciba said that they were up 3 per cent expressed in local curren-

The group said it expected an "increased operating profit" in the full year, which was a slightly less optimistic forecast than its statement in August that net income would be at least as high as 1993's SFr1.78bn.

Lauritzen to float subsidiaries

Lauritzen Holding plans stock exchange flotations over the next few years of its wholly-owned subsidiaries, which include the J. Laurtzen Shipping Company, the Danyard shipbuilding group and several manufacturing companies, writes Hilary Barnes in Copen-

Lauritzen said yesterday that the flotations would be used to bring the holding company's stake in the subsidiaries down to 52 per cent. Lauritzen reported a first-half loss (before minority shares) of DKr198m (\$32.67m) this year, following a full-year loss of DKr171m in 1993. Lauritzen Shipping made a pre-tax loss of DKr240m in the first half following a loss last year of DKr393m.

Both Lauritzen Shipping and Danyard have been affected by the EU's quota policy on South American bananas, which has caused a cut in orders for refrigerated cargo vessels.

Bergesen sees rise in tanker market

Bergesen, Norway's largest shipowner which yesterday reported weaker-than-expected financial results for the first eight months, forecast an improved tanker market later this year, Reuter reports from Oslo. "The situation is more conducive to a good

Australian metals pro-Share price relative to the All Ordinaries index

.80

80

70 -

MIM plans to sell

its shares in Asarco

autumn tanker market this year than it was last year. However, any improvement in the market would have a limited effect on tanker results in 1994," Bergesen said.

The company reported eight-month pre-tax

earnines of NKr92m compared with NKr171m

the second secon

ducer, is continuing its divestment of non-core assets with the announcement that it plans to sell its 10.35m shares – a 24.8 per cent stake - in Asarco. the US mining company, writes Bruce Jacques in Sydney. MIM said Asarco was filing a universal shelf registration statement cov-

ering the issue of up to

MIM Holdings, the

US\$300m in equity and Source: Detectorem debt securities with the US Securities and Exchange Commission. MIM had requested that its Asarco stock be included in this filing. Asarco shares have been trading recently at

around US\$33 on the New York Stock Exchange, valuing MIM's stake at A\$342m. MTM said completion of Asarco's registration process would enable MTM to sell some or all of its stock. "It is proposed that the sale be by way of

broad distribution in accordance with an exist-ing agreement between MIM and Asarco," MIM said. "MIM is pursuing a strategy of concentrating on core product businesses over which it has operational control."

Taiwan banks ahead

Taiwan's big three state-run commercial banks have all reported higher pre-tax profits for the July-September quarter compared with a year ago, writes Our Financial Staff.

At Hua Nan Bank, pre-tax profits rose to T\$2.12bn (US\$80m) from T\$1.38bn on turnover of T\$15.17bn, compared with T\$13.53bn last time. First Commercial Bank turnover rose more modestly to T\$15.54bn from T\$14.78bn. but pre-tax profits leapt to T\$2.01bn from T\$1.57bn. At Chang Hwa Bank, pre-tax profits advanced to T\$1.50bn from T\$1.23bn a year ago. Revenues were not reported.

ANZ cuts Coles stake

The Australia and New Zealand Banking Group said its stake in Coles Myer, Australia's largest retailer, had been cut to below 1 per cent and that it was likely to sell the balance when market conditions were right, Reuter reports from Melbourne.

Mr David Craig, ANZ chief financial officer. said the bank now held less than than 13m shares in Coles Myer after warrants over its stake were exercised.

Anheuser-Busch seeks decision on Czech brewer

By Vincent Boland in Pracue

Anheuser-Busch has increased pressure on the Czech government to decide the future of Budějovický Budvar, the Czech Republic's most famous brewer in which the US group is trying to take a minority stake. In two related moves, Anheuser-Busch says it is susnending negotiations on hoving 34 per cent of Budvar, and is not renewing a moratorium on legal action in a dispute

However, it also said it was no longer linking the purchase

between the two companies on

the trademark dispute, which is hampering Anheuser-Busch's plans to market its own Budweiser brand in important European markets

such as Germany. Mr Jack Purnell, chairman and chief executive of Anheuser-Busch International, said he hoped the separation of the investment from the trademark dispute would "advance progress on both issues". It is expected that the dispute will be resolved before any investment is made.

use of the Budweiser tradeof the stake to a resolution of should be privatised. Negotia-

tions on making an investment began in 1990, and earlier this year it was named the sole foreign negotiating partner in Budvar's privatisation.

investment.

Anheuser-Busch said on Tuesday that discussions on the equity stake would be postponed until the government decided how the Czech brewer

However, agreement between the government and Anheuser-Busch has never been in sight. This is partly due to Czech sensitivities about one of its most famous brand names being swallowed by a large multinational, and partly to growing hostility within the country to foreign

Anheuser-Busch said that in spite of being given exclusive negotiating access, the govern-ment "could not reach a con-sensus to follow through on this commitment" and that it

had "concluded that the priva-tisation process is stalled indefinitely in the Czech government"

The agriculture ministry, which owns Budvar, declined to comment on Anheuser-Busch's decision. However, it is understood that a decision on the brewer's future could be made within a month. While the government

decides how Budvar should be privatised Anheuser-Busch and Budvar are to pursue negotiations on reaching a stand-alone trademark agreement.

Mr Jiri Bucek, general-direc-tor of Budvar, said the moratorium on legal action, which expired on September 30, was no longer being accepted by

sive as the one offered to Budvar in combination with Anheuser-Busch's proposal for a minority investment in the

October 1994 SINGORGE

医院院院司法官

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新山市西州市

SE CHARLES

This announcement appears as a matter of record only.



US\$ 250,000,000

Multi-Currency Revolving Credit and Term Loan Facility

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Coordinator and Agent

Deutsche Bank Luxembourg S.A.



NOTICE OF DEFAULT Corimon International Finance Limited 18 1/4% Guaranteed Hetes Dae 1992-1995 Parsuant to the provisions of Section 10 of the Indenture chief as

October 8, 1990, among Corimon In-ternational Finance Limited, as Issuer (the "Issuer"), Corimon, C.A. (Corpora-cion Industrial Montaria) ("Corimon"). contindustrial Montarus) ("Cotimon"), and certain subsidiaries of Cotimon (together with Cotimon, the Guarantors"). The Bank of New York, as Trustee and Principal Paying Agent; the "Trustee"), Bunque Internationale a Lanembourg, S.A., as Paying Agent, and Banque Broselles Lambert, as Paying Agent, relating to the Issuee's U.S. 540,250,000, 10 1/4% Guaranteed Notes Due 1992-1995 (the "Notes"), of which U.S. 512,578,125 principal amount is companily outstanding, no which U.S. \$12.578,125 principal senests is committy constanding, notice is hereby given of the occurrence of a default in the performance or observance of certain branchal coverants set forth in Sections 18 (i) (i) and 18 (i) (ii) of the Indenture, which require Corimon, on a consolidated basis, to maintain a mito of "Consolidated Total Current Assets" or "Consolidated Total Current Liabilities" of not less than 1.2 to 1 and a "Liabilities to Equity Raito" of not more than 1.2 to 1, respectively. As of June 30, 1994, Codmon'ts win of Consolidated Total Current Sain of Consolidated Total Current tively. As of June 30, 1994, Corimon ratio of Consolidated Total Currer Assests to Consolidated Current Li abilities was 1.05 to 1 and Conmon amings west 1,0 to 1 and comment in Liabilities to Equity Ratio was 1.4 to 1. The Trustee has requested Common to confirm that the firmedial coversant defaults mentioned have not contin-ued for more than 90 days. If either or both of the financial coversant defaults has continued for more than 90 days.

both of the financial coverant defaults has continued for more than 90 days, an "Eventof Default" described in Cou-dition 10 (tv) of the Terms and Condi-tions of the Notes will be deemed to have occurred, in which circumstance Condition 10 of such Terms and Con-ditions affired the Trustee, or holders of these 100 to the trustee, or holders of the conditions of the trustee, or holders of the trustee of the trustee of the trustee of the conat least 25% in aggregate principa amount of Notes outstanding, the right to decistre the principal of all the Note immediately due and psyable.

The Bank of How York all the as Trustee Dated: October 12, 1994

First half 1994

Net income up by 3.8 %

vious year. Equity and the international solvency ratio were strengthened.

In an unsettled financial environment, Group business was somewhat contrasted.

On the private customer side, sustained loan demand and the build-up of savings as well as a growth in commissions, especially on the part of fund management, benefited the domestic network. Corporate credit and deposit outstandings slumped.

In comparison to 1993, an exceptional year, capital market business was on the whole less favorable in both France and the international network. While continuing their recovery, specialized financing subsidiaries remained sensitive to the difficult economic environment.

After the strong growth (11%) in the first half of last year, linked to capital market activities, net banking income was down 1.7%. Taking into account the 2.2% increase in operating expenses, gross operating income decreased by 9.6%

The board of directors met on September 27 1994 Net allocation to provisions remained high at under the chairmanship of Marc Viénot to examine the results for the first half of 1994. Net income was up by 3.8% in comparison with the same period of the pre
Capital gains realized during the first half of 1994

same period of last year.

Capital gains realized during the first half of 1994 from the sale of the Générale office tower at La Défense was, as at the end of 1993, entirely appropriated to non-recurring provisions on certain costs, thereby correspondingly lightening those of future years. Overall, net income was FF 2,240 m, as compared

with FF 2.158 m for the first half of 1993, an increase

At June 30 1994, Group equity excluding undated subordinated capital notes, was FF 45.4 bn as compared with FF 41.9 bn a year earlier, an increase of 8.4 %. This growth (FF 3.5 bn) was mainly attributable to capital increases (staff, dividends paid out in new shares) and to retained earnings after distribution of the 1993 dividend

Group international solvency ratio was 9.33 % at June 30 1994, easily satisfying the norm of 8 %. Tier One funds amounted to 53% of a total of FF 858 bn in reeighted outstandings.

Net revalued assets as at June 30 1994 equaled FF 680 per share which is to be compared with a stock market price of FF 531 at October 7 1994.



LET'S COMBINE OUR TALENTS.

SHEARSON LEHMAN **HUTTON HOLDINGS**

US\$300,000,000 Floating rate notes due October 1996 For the three months 13 Octob

1994 to 13 January 1995 the notes will corry an interest rate of 5.725% per annum and interest payable on the releval interest payment date 13 January 1995 will amount to US\$146.31 per US\$10,000 note. Agent: Morgan Guaranty Trust Company

JPMorgan

CREDIT LOCAL DE FRANCE USD 100.000.000,-FRN DUE 1997 Noteholders are hereby informed that the rate applicable for the coupon Nº9 has been set at 5,8125%.

payable at the price of USD 2938,54 per USD 100,000,- Note on April 12th, 1995 representing 182 days of interest, and covering the period from October 12th, 1994 to April 11th, 1995 mclusive.

The coupon Nº 9 will be

The Agent Bank and Principal Paying Agent CREDIT LYONNAIS U.S. \$100,000,000



Takugin International (Asia) Limited

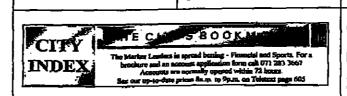
Guaranteed Floating Rate Notes due 1997 Guaranteed as to payment of principal and interest by The Hokkaldo Takushoku Bank, Limited

(Incorporated in Japan) In accordance with the provisions of the Notes, notice is hereby given, that for the six month interest Period from Occober 13, 1994 to April 13, 1995 the Notes will carry an interest Rate of 6.125% per annum. The Interest amount payable on the slevant Interest payment data, April 13, 1995 will be U.S. \$309.65 for each Note of U.S. \$10,000 denomination and U.S. \$7,741.32 for each Note of U.S. \$250.000 denomination.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

October 13, 1994





DO YOU WANT TO KNOW A SECRET? The LD.S. Genn Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Genn can increase your profits and contain your losses. How? That's the secret. Pling 681 474 6080 to book your PRIEE place.

INTERNATIONAL CAPITAL MARKETS

Aegon's \$600m convertible meets strong demand

By Richard Lapper and Graham Bowley

Blue-chip corporates were again prominent in the euromarkets yesterday with both J. Sainsbury and Ford raising funds in the three-year dollar sector and Aegon, the Dutch insurance company, tapping the market for \$600m with one of the biggest European con-

vertible issues of the year. J. Sainsbury, the UK retailer, raised \$150m to help fund its recent acquisition of Giant

INTERNATIONAL BONDS

Food, the US supermarket chain. The paper offered a coupon of 7.375 per cent and an initial yield spread of 39 basis over the equivalent US Treasury, although this widened marginally when the bonds were freed to trade.

Two-thirds of the issue was placed by the end of trading, although J.P. Morgan, the lead

manager, conceded that distribution was becoming more difficult in the short end of the dollar sector following issues earlier this week by Smith-Kline Beecham and Toyota.

Ford Credit Europe turned to the sterling sector for £100m with a three-year issue. The paper, sold to investors at a reoffer price of 99.705, offered a coupon of 8% per cent and, at its reoffer price, a yield spread of 55 basis points above the equivalent gilt.

Lead managers HSBC Markets said investors were showing interest in shorter-term sterling deals, following recent steepening of the yield curve. Morgan Stanley led the 10-

ear subordinated convertible bond for Aegon, which has expanded in the US in recent years. The bond carries a coupon of 4.75 per cent and has been used partially to refinance a \$370m 10-year subordinated convertible bond issued in 1991

The issue, one of Europe's biggest in a generally quiet

year for convertibles, met strong demand from continental Europe, according to syndi-

cate managers. Elsewhere, Compagnie Générale des Eaux, the French utilities group, raised FFr1bn with a five-year deal offering a coupon of 8 per cent. The deal was offered to investors at a reoffer price of 100.08, with a yield spread of 32 points over the equivalent French government bond. Prices fell slightly after the syndicate closed, end-

ing down 2 basis points. Crédit Local de France tapped the short end of the lire sector with a L150bn three-year bond with a coupon of 11.3 per cent. Proceeds from the deal, led by Credito Italiano, were swapped into floating rate dol-

Two borrowers tapped the three-year area of the Canadian dollar sector. The European Investment Bank launched a C\$150m offering of bonds, priced to yield 10 basis points over Canadian government bonds. The pricing

Borrower	Amount III.	Coupon %	Price	Maturity	Fees %	Spread Sp	Book runner
US DOLLARS County of Los Angeles(a,s) Aegon(b)§ Sainsbury Bank Rakyat Indonesia(c)#1	1.365bn 600 160 75	(a)# 4.75 7.375 (c1)	(a) 100.00 99,79R 100.00	(a) Nov.2004 Nov.1997 Nov.1999	(a) 2.50 0.225R 0.60	(a) +39(6):2 %-8 7)	Letroen Brothers Intl. Morgan Stanley & Co. Intl. JP Morgan Securities Serves Intl. Pinance
YEN Citcorp(a)*	15bn	4.00	100.00	Jan.1998	undisci.	-	Mentil Lynch International
STERLING Ford Credit Europe	100	8.625	99.705R	Nov.1997	0.20R	+55(8¥%-97)	HSBC Merkets
FRENCH FRANCS Compagnia Générale des Esux	1bn	8.00	100.08R	Nov.1999	0.325R	+32(8%-99)	COF
ITALIAN LIRE Cridit Local de France	150bn	11.50	101.315	Nov.1997	1.375	•	Credito Italiano
CANADIAN DOLLARS European Investment Bank Rabobank Nederland	150 100	8.00 8.125	99,58R 99,794R	Nov.1997 Nov.1997	0.1875R 0.1875R	+10@ +100	Goldmen Sachs International ScotlaMicleod
SWISS FRANCS Extra Bank of Japan Bectricité de France	200 150	5.50 5.375	102.50 102.375	Nov.1999 Nov.1998	2.00 1.75	:	UBS Credit Suisse
LUXEMBOURG FRANCS	~	0 106	102 20	Dac 2000	1 875		

NEW INTERNATIONAL BOND ISSUES

Final terms and non-callable unless stated. The yield spread (over manager. +Unlisted, §Convertible, ‡Floating rate note, #Semi-annual

were freed to trade, joint lead

spread of 10 basis points over

govt. c1) 6-mith Libor +110bp. i) Over interpol spread tightened to around six Nederland Canadian government bonds. Rabobank basis points when the bonds launched a C\$100m offering of The spread narrowed slightly

Gilts welcome RPI data and outperform Treasuries

By Martin Brice in London and Frank McGurty in New York

The UK government bond market yesterday welcomed statistics which revealed benign inflationary pressures in the economy by rising half a point, and outperforming US Treasuries.

The retail price index rose 2.2 per cent, which was less than the 2.4 per cent expected. Labour market figures were interpreted as being good for

"Nobody could claim that these numbers are anything but very excellent. They have taken away all the negative feelings which last month's

timent but it might be premature to say that. But with numbers and interest rates as they are there is clearly a good case for the market to get itself on a

firmer footing," he added. One securities house reported good demand for gilts from US buyers, and the spread of gilts over US Treasury bonds narrowed to around 94 basis points, from around 102 the day before. Some dealers said the Bank of England was taking advantage of the strong market to supply

Mr Simon Briscoe of S. G. Warburg said: "Every day this month there has been a trickle of investors moving

and fall in total unemployment would save the government a total of £2bn a year in social security benefits. He said: "Funding is less of a pressure than in other countries.'

GOVERNMENT **BONDS**

The reaction of the gilt mar-ket was subdued, said Mr Chris Dillow of Nomura. "I think that is justified," he said. "It will be difficult to see RPI inflation staying this

low." The December gilt future on Liffe lifted 1/2 a point on the day to 100% in late trading. ■ German government bonds were hardly changed yesterday, as investors stood on the sidelines ahead of today's meeting of the Bundesbank council and the elections on

Sunday. Mr Karl Haeling at Deutsche Bank in Frankfurt said: "We have rallied for almost two days. The market is a little overbought and needs a breather. It has been a consolidation day."

The December bund future was around 89.51 in late trading, up 0.04 of a point on the

■ US Treasury bonds drifted lower yesterday morning as

By midday, the benchmark 30-year government bond was A lower at 95%, with the yield rising to 7.881 per cent. On the short end, the two-year note was down & at 99%, to yield

After two sessions of sharp gains, bonds gave back some ground in lacklustre trading which in part reflected fresh weakness by the dollar.

However, the underlying tone was positive. Traders were generally of the opinion that the Federal Reserve would delay its next credit tightening until November, providing some room to manoeuvre going into the important economic data due out at the end of the

benign. Forecasts centre on a slight 0.1 per cent gain in September producer prices, and a 0.4 per cent increase excluding the volatile energy and food

Such readings would present no obstacle for the inflation-sensitive Treasury market

News of inflation on the consumer level and crucial data on industrial production will follow on Friday.

Yesterday, bonds crept a little closer to their starting marks after the release of the Atlanta Federal Reserve's monthly survey. The report was favourable for fixed-rate securities, showing a general

Argentina returns to syndicated loan sector 10 years on cerned because capital goods, imports of which have risen 60

By David Pilling In Buenos Aires and Richard Lapper in London

Argentina has tapped the syndicated loan market for the first time in more than 10 years by signing an 18-month \$500m credit with banks led by Credit Suisse and Chemical

The deal is being seen by the Argentine finance ministry as a vote of confidence in the three-year-old economic stabilisation plan which has combined rapid growth with Latin America's lowest inflation

Mr Domingo Cavallo, finance minister, said conclusion of the deal made Argentina the first Latin American country to return to this segment of the international financial market.

The loan, signed in New York on Tuesday, will have an interest rate of 150 basis points above Libor and will cover revenue shortfalls prompted specifically by delays in the priva-tisation of several gas distribution companies. Final documentation should be signed early next week.

However, the deal comes against the background of recent economic indicators that show a widening trade deficit, falls in tax collection and the edging up of

monthly inflation to 0.7 per Provisional figures released last week showed the trade deficit for August swelling to \$620m, bringing the eightmonth gap to a record \$3.84bn. Although exports are likely to rise by 20 per cent this year, imports have surged still faster

tal goods would help to sharpen competitiveness, feed into higher exports and head off any balance of payments The government has reiterated its rejection of calls from

some business quarters for an export-boosting devaluation of the peso. This week, President Carlos Menem said: "There is no possibility of changing any part of the [economic] model, especially the exchange

per cent this year, account for

the bulk of the increase. Capi-

Referring to Latin America's past experience with devalua-tion and resulting inflationary pressures. Mr Menem said: "We have already watched that

Mr Cavallo also dismissed suggestions that spending pressures before next May's presidential election would lead to fiscal deficits for the first time since the launch of his economic reforms. "The accounts for the third quarter do not see the surplus of the first two quarters, but this had already been forecast." Budgets would be balanced this year and in 1995, he said.

Inflation too, up in September because of seasonal factors and a recent one-off rise in transport fares would beat this year's 4 per cent target, Mr

Cavallo said. Other international banks participating in the deal are Banco Santander, Dresdner Bank, Bank of Boston, UBS and ING. Local banks participating are Banco Roberts, Banco Rio de la Plata, Banco Frances Rio de la Plata, Banco de Crédito Argentino. Banco de Negocios and le Quilmes.

3606.9 3.9 2.51 827

numbers had given gilts," said round to the bullish view." it feels like a change in sen- "It feels like a change in sen-		week. slowdown in manufacturing and last month broke the \$2bn de Crédito Argentino. Banco Most economists were activity and an easing of price expecting the news to be pressures. Mr Cavallo says he is uncon-Banco de Quilmes.
WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS	italy	PT-ACTUARIES FIXED INTEREST INDICES
Red Day's Week Month Coupon Date Price change Yield ago ago	NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ms of 100%	Price indices Wed Day's Tue Accrued xd adj. — Low coupon yield — Madium coupon yield — High coupon yield — UK Bits Oct 12 change % Oct 11 interest yid Oct 12 Oct 11 Yr. ago Oct 12 Oct 11 Yr. ago Oct 12 Oct 11 Yr. ago
Australia 8.000 08/04 92.6100 -0.580 10.20 10.20 10.20 Belgium 7.250 04/04 82.2600 -0.090 8.45 8.61 8.67 Canada 6.500 08/04 84.1000 -0.600 8.00 9.04 8.82 Denmark 7.000 12/04 87.3700 +0.070 8.94 9.16 9.21 France BTAN 8.000 05/98 101.4200 -0.080 7.43 7.66 7.48	Open Sett price Change High Low Est. voi Open int. Dec 97.85 98.82 +0.82 98.83 97.76 38859 59750 Mor 97.75 97.82 +0.58 97.75 97.75 100 2547	1 Up to 5 years (24) 119.78 +0.31 119.41 1.50 9.10 5 yrs 8.50 8.59 6.17 8.57 8.96 6.44 8.70 8.80 6.82 2.5-15 years (22) 139.33 +0.44 138.72 1.81 10.29 15 yrs 8.51 8.57 8.99 8.54 8.71 7.13 8.87 8.95 7.34 3 Over 15 years (8) 155.90 +0.70 154.81 2.49 9.81 20 yrs 8.47 8.54 7.11 8.64 8.71 7.19 8.73 8.83 7.35 4 irredusernables (6) 178.68 +0.94 177.03 3.91 8.83 irred.† 8.55 8.64 7.24 5.56 8.50 7.24
OAT 5.500 04/04 83,0700 -0.090 8.11 8.30 8.10 Germany Treu 7.500 09/04 99.5900 - 7.56 7.80 7.61	II ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lire200m 100ths of 100%	Inflation 5% Inflation 10%
kaly 8.500 08/04 81.3300 +0.590 11.75† 11.99 11.98 Japan No 119 4.800 06/99 102.5120 -0.100 4.16 4.02 3.90	Strike CALLS Price Dec Mar Dec Mar	Index-linked Oct 12 Oct 11 Yr. ago Oct 12 Oct 11 Yr. ago 8 Up to 5 years (2) 185.44 +0.11 185.24 0.13 5.07 Up to 5 yrs 3.88 4.01 2.47 2.64 2.93 1.58
Japan No 164 4.100 12/03 95.6590 -0.180 4.78 4.69 4.54 Netherlands 5.750 01/04 88.5000 +0.020 7.52 7.71 7.55	9850 1.81 2.60 1.69 3.28 9800 1.56 2.38 1.94 3.58	7 Over 5 years (11) 173.06 +0.21 172.70 0.96 3.95 Over 5 yrs 3.86 3.89 3.15 3.85 3.70 2.98 8 All stocks (13) 173.46 +0.20 173.13 0.88 4.04
Spain 8,000 05/04 82,1500 -0.050 11.09 11.31 11.47 UK Gitta 6,000 08/99 90-17 +11/32 8,42 8,73 8,84	9960 1.32 2.18 2.20 3.88 Est. vol. total, Calls 415 Puta 1945. Previous day's open int., Calls 18704 Puta 25197	5 year yield 15 year yield 25 year yield
6.750 11/04 87-21 +16/32 8.59 8.92 8.89 9.000 10/08 103-09 +20/32 8.59 8.86 8.85		Debentures and Loans Oct 12 Oct 11 Yr. ago O
US Tressury 7.250 08/04 97-02 -14/32 7.68 7.76 7.42 7.500 11/24 95-18 -19/32 7.89 7.95 7.89		Average gross recomption yields are shown above. Coupon Bendic Low; 0%-74-%; Medium; 8%-10%%; High: 11% and over. † Ret yield, yid Year to date.
ECU (French Govt) 6.000 04/04 83.5100 -0.080 8.60 8.79 8.67 London closing, "New York mid-vlay Yleide: Local market standard.	Spain	
† Gross (including withholding tax at 12.5 per cent psychole by nonresidents) Prices: US, UK in 32nds, others in decimal Source: MMS international	IN NOTIONAL SPANISH BOND FUTURES (MEFF) Oct.11 Open Sets price Change High Low Est. vol. Open Int.	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES
US INTEREST RATES	Dec 87.15 87.18 -0.07 87.55 86.90 51,900 78,548	Oct 12 Oct 11 Oct 10 Oct 7 Oct 6 Yr ago High" Low" Oct 11 Oct 10 Oct 7 Oct 6 Oct 5
Lunchtlime Treasury Bills and Bond Yields Une month		Govt. Secs. (UK) 91.34 90.88 90.88 90.78 90.63 102.81 107.04 89.54 Gilt Edged bargains 98.0 91.2 79.8 76.9 75.5 Fixed interest 107.76 107.60 107.42 107.23 107.02 124.27 133.87 108.50 5-day average 84.7 78.9 76.7 85.1 91.7
Direction 4.88 Two year 6.54	UK	" for 1994. Government Securities high ence compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.67 (21/1/94), low 50.53 (3/1/75), Basic 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.
Fed funds at intervention One year	M NOTIONAL UK GILT FUTURES (LIFFE)* 250,000 32nds of 100%	
BOND FUTURES AND OPTIONS	Open Sett price Change High Low Est. vol. Open Int.	
_	Dec 100-18 101-11 +0-18 101-15 100-17 80065 92377 Mar 100-14 +0-18 0 48	FT/ISMA INTERNATIONAL BOND SERVICE
France Notional French Bond Futures (MATIF)	LONG GET FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%	Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 12 Insued Ski Offer Chg. Yield Issued Ski Offer Chg. Yield Issued Ski Offer Chg. Yield
Open Sett price Change High Low Est, vol. Open Int.	Strike — CALLS — PUTS —	U.S. DOLLAR STRANSHTS Unded Kingdom 7½ 97 5500 100% 11g 6.89 Abbey Ned Treasury 8.03 £ 1000 91½ 91/3 14g 956
Dec 110,88 110,94 -0,10 110,96 110,62 116,691 131,639 Mar 110,04 110,18 -0,20 110,18 109,98 1,266 7,996	Price Dec Mar Dec Mar 101 1-46 2-25 1-24 2-81	Abbets Province 7 ¹ ₂ 86
Jun 109 28 109,42 -0,20 109,34 109,28 333 438	102 1-14 1-61 1-56 3-33 103 0-52 1-38 2-30 4-10	Austria 8½ 00
	Sat. vol. total, Cath 10343 Puts 2083, Previous day's open ins., Calls 669,77 Puts 40153	Beglum 5½ 03 1000 82% 83½ ½ 826 Hallex 10½ 97 £ 100 103½ 104½ ½ 8.47 8FCE 7½ 97 150 101½ 101% 7.19 SMSS FRANC STRAIGHTS Harson 10½ 97 £ 500 103½ 104 ¼ 8.95
* LONG TERM FRENCH BOND OPTIONS (MATIF) Strike ————————————————————————————————————		British Gas 0 21
Price Nov Dec Mar Nov Dec Mar	Ecu	Cheung Kong Fin 51g 98 500 891g 897g 8.79 Council Europe 41g 99 250 99 891g 507 Japan Dev 5k 7 00 2 200 913g 921g 12g 882 China 61g 04 1000 851g 851g 9.07 Denmark 41g 99 1000 951g 951g 527 Land Secs 91g 07 9 200 971g 981g 12g 9.07
110 0 69 - 2.20 0.40 0.92 2.05 111 0.32 1.20 - 0.78 1.32 -	ECU BOND FUTURES (MATIF)	Council Europe 8 96
112 0.10 0.73 1.29	Open Sett price Change High Low Est. vol. Open Int. Dec 80.26 80.40 -0.14 80.44 80.20 1,135 7,849	Devreent 54, 98 1000 954 955 7.33 Finland 74, 99 300 107 107 ¹ 2 5.60 Severn Trent 11 ¹ 2 98 2 150 108 ¹ 4 108 ² 5 14 9.25
114 0.23 0.42 Est vol. total, Calls 20,094 Puis 11.126 Provious day's open int., Calls 253,370 Puis 324,244,		570 6 5 102 102 102 103 104 105 105 105 105 105 105 105 105 105 105
C	US	20 1074 1074 2.55 Create Level 6 of FF7 7000 664, 69 8.15
Germany M Notional German Bund Futures (LIFFE) DM250,000 100km of 100%	III US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100% Open Latest Change High Low Est. vol. Open Int.	100 104
Open Sett price Change High Low Est, vol Open Int.	Dec 98-24 98-20 -0-05 99-25 98-18 47,125 403,582	Ex-hn Bank Japan 8 02 500 99% 100 -1 8.05 World Bank 7 01 600 1091, 10812 6.79 PLOATING RATE NOTES
Dec 89.41 89.42 -0.06 89.55 89.16 130624 155897 Mar 88.60 88.62 -0.10 88.75 88.50 484 2988	Mar 98-01 97-31 -0-04 98-02 97-28 69 28,387 Jun - 97-15 1 11,163	Folker Neis Mon 7.40 04
		First Report 91, 25 200 1021, 103 6.54 88 61, 00 100000 1091, 1091, 1,4 6.52 Benco Roma 0 99 200 99,88 100.02 6.5625 Ford Major Credit 61, 99 1500 981, 965, 7,7 First 61, 96 500 101, 101, 105 333 Beginn is 97 DM 500 102,13 100,23 5,1250
BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%	Japan	Gent Blex Capital 8 ¹ g 96
Sinks — CALLS — PUTS Price Nov Dec Jan Mar Nov Dec Jan Mar	M NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%	Ind Sk. Japan Fin 7½ 97 200 100½ 101½ 7.52 Japan Day Sk. 5 99 100000 102½ 102½ 122½ 1, 4.43 Carada 14 99 2000 90,17 90.24 48250 Inter Amer Day 7½ 98 200 101½ 101½ 6.96 Japan Day Sk. 6½ 01 120000 110 110½ 4.77 CCCE 0 06 Scu 200 90.14 5.0229
8900 0.87 1.29 1.08 1.43 0.45 0.87 1.46 1.81 8950 0.59 1.01 0.88 1.19 0.67 1.09 1.74 2.07	Open Clase Change High Low Est. vol. Open Int. Dec 106.91 107.04 106.82 2802 0	Laby 67, 23
9000 0.37 0.77 0.67 0.99 0.95 1.35 2.05 2.37 Est. vpl. total. Calls 25777 Paris 16710. Previous day's open latt., Calls 271541 Paris 227679	Dec 106.91 107.04 106.82 2802 0 - LIFFE contracts traded on APT, Atl Open Interest figs. are for previous day.	Karsasi Esc Pur 10 96 350 104½ 104½ 6.89 \$NCF 6½ 00 30000 109½ 110½ 4.63 Dreather Franco ½ 98 DM 1000 99.97 100.07 6.938 Korea Bec Power 6½ 03 1380 84½ 85¼ 4¼ 9.06 Spain 5½ 02 125000 105½ 106½ 1¼ 4.87 Ferro del Stat 0.10 97 420 98.94 100.14 5.1000
		1009 Fin 8 97
UK GILTS PRICES		Normely 74, 97
		Petro-Carracta 7 ¹ 4, 95 200 100 ¹ m 100 ² m 1 ¹ m 6.95 108 Deut Industrik 8 ¹ z 03 LFr 3000 100 ¹ m 101 ¹ m 8.45 Melleysia in 05 650 99.22 99.56 8.9075
Yeld 1994 Yeld	field'1994_,19961996 Red Price E + or – High Low Notes (1) (2) Price E + or – High Low	Outside Hydro 94, 98
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100c 1995	8.56 875 +1 1054 843 450 90#	SAS 10 99
10 ¹ / ₁ CC 1995	8.67 105 2 ml +1251 2 1021 2 2 mm 100	Spain 6 ¹ 2 89
15 pc 1996## 13.69 7 38 117 33 +4 21 11 74 pc 2067 8.26	200 10	Sweden 51/2 95
Conversion 10pc 1996 957 763 104 32d +13 1121, 1031, Treas 11 kpc 3000-7 10.17	8.57 9014 + 13 11214 9045 21 ₂ 00 00 78.69 3.65 3.86 1524 + 1684 1494 8.65 954 + 16 1114 9145 2200 11 77.6 3.67 3.86 157.5 + 2 175.5 1544 8.07 115.5 + 31 1564 1124 2120 13 892 3.66 129, 2 175.5 1244 8.29 593 4.68 129, 2 120 13 892 3.66 129, 2 175.5 1244 8.29 593 4.68 119, 3645 21 ₂ 00 18 892 3.77 3.89 1275 + 2 157.5 1344	Tokyo Bec Power 8 ¹ x 03 1000 67 ¹ x 87 ⁵ x 8.19 Nappon Tel Tel 10 ¹ x 90 CS 200 104 ¹ x 105 ¹ x 3,00 CONVENTIBLE BONDS Tokyo Metropolis 8 ¹ x 95 200 102 ¹ x 102 ¹ x 7.10 Ontano 8 03 CS 1500 92 92 ¹ x 962 Conv.
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94nc 1998	and (2) 5%. (b) Figures in parentheses show RPT base for Indexing Se 8 months prior to issue) and have been adjusted to	Counci Europe 9 01 Sco 100 1011 ₈ 1015 ₈ 8.77 Harrest 91,00 1 1015 ₈ 1111 ₉ 1127 ₉ 1238
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Spain 7½ 03 ...
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COMPANY NEWS: UK

Lotus

returns to

the black

with £2m

Group Lotus, the UK sports

car maker and engineering

group taken over last year from General Motors by

Bugatti International of Italy,

yesterday announced its

return to profitability after an

extended period of losses

The company, which cur-rently employs 950 people at its Hethel, Norfolk, operations,

is now on course to fund a new

small sports car planned for 1996 from its own resources

after achieving a £12.3m turn-

round to record an unaudited

net profit of £2m. Mr Adrian

Palmer, managing director,

Bugatti bought Lotus from GM for a reputed £30m and said as recently as June that it

intended to raise more than £100m to fund Bugatti and

Lotus development through a

under GM ownership.

By John Griffithe

Market conditions 'not encouraging' for catering group's flotation ited loan Gardner Merchant rises 14%

Switzenschaften

years on

Gardner Merchant, the largest contract caterer in Europe, yesterday reported an increase of almost 14 per cent in interim

The group, bought by the management from Forte for £402m at the end of 1992, made profits before interest and tax of £26.9m (£23.7m) in the six months to July 31 on the back of a 9 per cent rise in turnover to £556m (£509m).

Mr Garry Hawkes, chief executive, said the group was under no pressure to float. Our investors are happy with their returns, and clearly the current market conditions are not very encouraging."

Group debt stands at £220m after a refinancing deal in the summer with the Royal Bank of Scotland and five other

Growth during in the half year was all organic, with a net gam of 175 contracts, compared with 163 previously, The group relies on the UK for more than half its business



Garry Hawkes: 'Our investors are happy with their returns'

and most of its profits. UK profits grew to £19.9m (£17.2m) on sales of £320m (£291m). Almost a third of new contracts in the UK, where margins improved from 5.9 to

6.2 per cent, were in the public

sector - an area the group has

targeted for future growth both in the UK and overseas. In the rest of Europe profits edged ahead to £5.5m (£5.2m) on sales of £152m (£141m), held back by the recession in France. European margins eased to 3.6 per cent (3.7 per

the world, including the US, were £1.5m (£1.3m) on sales of £83.3m (£77.2m). The current half will include

for the first time the group's five acquisitions made this year for a total of £72.9m - the main one being the \$100m (£63.2m) purchase of part of Morrison Restaurants' contract food division in the US. This doubled the size of the

group's US business and made it fifth biggest in the US mar-

• Employees who use their staff restaurant are benefiting from a perk worth at least £300 a year and in today's tough economic climate more employees than ever are eating company food, according to an employee catering survey conducted by the Industrial Society and Touche Ross Manage ment Consultants.

The average subsidy per user of company canteen facilities is £328.90 a year and more than 50 per cent of employees are now using catering services, the survey found.

flotation on the New York Stock Exchange. So far, this has not been proceeded with and Mr Palmer said yesterday that Lotus would now need additional funding only for a larger sports model also being anned for the late 1990s.

Lotus's transition to profit from a £10.3m net loss in its financial year to August was based on turnover 22 per cent higher at £50.8m.

Sales of the Esprit, its large sports car, rose 45 per cent from 246 units to 360, and 84 Elan small sports cars were sold after the resumption of production earlier this year.
While Lotus plans to build a similar number of Esprits in the current year, it is sched-uled to build a total of 800 Elans by mid-1995 as a limited production run, after which it

will be preparing to produce the new small sports car. This, too, is scheduled for output of 800 units a year starting in early 1996. However the bulk of Lotus's turnover - about 60 per cent came last year from engineering consultancy work. This

rose 7 per cent in value to £25.1m and £43m of new orders have been received in the past 12 months, said Mr

C&W signals priorities with China partnership

Yesterday's breakthrough by Cable and Wireless into China may mark a turning point in the strategy of the UK telecommunications group.

Although the precise terms of the \$300m (£190m) agreement to develop telecoms networks in partnership with China's ministry of posts and telecommunications remain to be finalised, C&W left no room for doubt that Asia would be its prime investment focus for the next decade. C&W has operations across

the world, but Hongkong Tele-com - of which C&W owns 57.5 per cent - has long been the jewel in its crown.

Last year Asia accounted for nearly half of the company's £4.7bn turnover, and Hong Kong alone for 64 per cent of its operating profit. By contrast, in the highly competitive UK market, C&W's turnover (through its Mercury subsidiary) was three quarters that in Hong Kong, yet its operating profit was less than a third as

Mr James Ross, C&W's chief executive, said: "When you ask

others you always come back to Asia; and now that we have this tangible evidence of the opportunities in China, it will clearly be a priority."

The "first call" on resources "will tend to be Asia". The Chinese deal represents about two thirds of Hongkong Telecoms's total capital investment last year. Spread over three years, it represents about a 25 per cent annual increase, and more could be in

"The arrangement with the MPT [Chinese telecoms ministryl is very fluid, and further opportunities could well be available, even at this stage."

Mr Andrew Harrington, Asian telecoms analyst with Salomon Brothers in Hong Kong, said the deal "strengthens Hongkong Telecom's pre-mier position in China, and is bound to make China C&W's most important new sphere of activity for the foreseeable future."

However, C&W said yesterday it had no intention of withdrawing from other regions.

what differentiates us from sortium, in which C&W has a 20 per cent stake, won the licence to build France's third mobile phone network, with plans to invest about FFr11.7bn

(£1.4hn) over 10 years. C&W is investing heavily in its mobile venture in the UK, and has a stake in a German mobile phone operator which may enter the fixed-wire sector as European telecoms are opened to further competition. C&W intends to expand in the Caribbean and US.

Balancing commitments and opportunities is thus a critical challenge for C&W. It is not only a question of balance between regions but also within regions. "Even in Asia, we are not putting all our eggs into the Chinese basket." Mr Ross stressed, pointing to C&W's operations in Australia and its ambitions in Vietnam, Malaysia. Singapore and Indonesia.

Mr Ross believes the group could comfortably increase expenditure by between £500m and £1bn a year, given its low gearing. But that could be swallowed up in China alone if the state monopoly dam has truly burst.

See World Trade and Lex

Lewis resigns Technology chair

By Alan Cane

Mr Derek Lewis, chairman of Technology, is leaving the per-sonal computer distributorship at the end of the year after some 18 months of strife and unhappiness among staff and customers.

Technology, which is owned by ICL and is one of the UK's largest pc distributors, is unlikely to make a profit for the year although it is currently trading in the black, according to Mr Ninian Eadie.

products division.

Mr Lewis denied that he was leaving in any mood of bitterness, however. He is moving to Schroder Ventures where be will take a role in determining the group's electronics and computers investment policy. He said yesterday that Technology was now firmly estab-lished as part of the ICL struc-

ture and ready for its next expansion phase. "I think I have done my job and now it is time to move on."

The new chairman will be Mr Ken Wallace, deputy chair-

man and logistics director. Ms Marie-Anne van Ingen, sales director, becomes managing director.

ICL's take over of Technology is 1992 was seen as a bold experiment for a former mainframe computer manufacturer in the low cost distribution of pcs. It failed to work as planned, however, because Technology proved unable to handle the volume of business on its own and earlier this year ICL put a new organisation. ICL Client-Server Systems, in

place to supply pcs and mid-

systems houses.

Now Technology operates at

arms-length to ICL, distributing computers from a range of manufacturers: "It is very much back to basics" Mr Eadie said yesterday.

Mr Lewis led the management buy-out of Technology and its subsequent sale to ICL. There was speculation in the industry vesterday that if ICL was prepared to sell Technology, Mr Lewis would be well aced with Schroders to help

Capital and Regional leaps to £1.24m

Capital and Regional Properties reported sharply higher pre-tax profits for the six months to June 24, during which just under £50m was spent on acquisitions.

The USM-quoted property investment company raised the figure from £151,000 to £1.24m. This included a contribution of £281,000 from R Green Properties, covering the 11 weeks since its acquisition for £33.4m in April, when a £25.3m rights

issue was also completed.

Net rental income came to £2.95m (£3.38m). Other income added £807,000 (£72,000) and the net interest charge declined to £1.42m (£2.25m).

The interim dividend is raised to 0.6p (0.5p) on earnings per share of 2.85p (0.2p). Shareholders' funds at June 24 stood at £76.8m, against £49.6m at December 25 1993. Net assets per share were 168.5p (163.8p at the year end). Mr Martin Barber, chairman, said Cen-

trepoint Properties Corporation, the former subsidiary now quoted separately in the US, had performed in line with expectations. Capital and Regional owns 20 per cent of the common stock in Centrepoint. The company plans to move to the main market once the accounts for 1994 have

Buoyant recruitment market boosts BNB

BNB Resources, the recruitment, training and consumer communications group, yesterday announced sharply increased first half profits as it consolidated the recovery

shown in 1993. Mr David Norman, chairman, said that continuing increased demand across the group's activities was behind the pre-tax line improving from £844,000 to £1.38m for the half year to June 30. Turnover rose 33 per cent to £42.2m.

The human resources recruitment side lifted its contribution to operating profits by 73 per cent to £3.07m. The senior management and professional recruitment market displayed a solid improvement in the UK, Mr Norman said, with Norman Broadbent's revenue ahead 31 ner cent. In the IIS income at NBI rose 39 per cent, helped by the Chicago office

praised an "outstanding" performance from NBI Hong Kong with "business booming" at its new Beijing office with revenue more than doubled.

NB Selection, which specialises in management recruit-ment, has expanded from its UK base on to the Continent with offices opening in Paris and Madrid. Revenue jumped 63 per cent, outperforming a market showing volume growth of about 30 per cent. Margins on the training side remained under pressure, with

the seasonal operating deficit widening from £395,000 to £721,000. Market share had improved, however, and Mr Norman anticipated an advance on last year's overall profit of £497,000. Earnings per share emerged at 4.2p (1.1p); the interim divi-

dend goes up to 1.77p (1.6p).

Pilkington buys Finnish minority

By David Wighton

Pilkington is buying out minority shareholders in its Finnish float glass subsidiary, enabling it to complete the integration of its European float glass production lines. The UK glass group is pay-

ing FM69.6m (£9m) in shares for the remaining 29 per cent of Lahden Lasitehdas. The stake is currently owned by Finnish institutions.

Pilkington took a 50 per cent stake in Lahden Lasitehdas in 1978, which it increased to 71 per cent in 1988 when the Finnish government sold a 33 per cent holding for £6m.

Pilkington is streamlining production between its nine European float plants in the UK, Germany, Sweden and Finland. All the others are wholly owned.

NW Water sells Malaysian stake

North West Water is to swap a 20 per cent stake in Malaysia's Indah Water Konsortium for a holding in Indah Water Operations, a separately formed operating company which has exclusive rights to maintain and operate the

assets of IWK. The deal, which will leave North West with a 5 per cent holding in IWK, would enhance the overall strength of the group's position in Malay-

Under the terms of the transaction North West has agreed to sell the 20 per cent stake to the Berjaya Group, one of its

Consideration is £7m, the par

value of the holding plus £1m. In addition, North West has agreed to a "deeprooted alliance" with Berjaya, focusing on developing clean water opportunities in Malaysia and

establishing a manufacturing/ distribution base. The two are also to create a jointly-owned company, based in Hong Kong, to exploit opportunities in water and waste water in mainland China.

Berjaya South Island, a listed company, has offered to purchase all the shares in IWK. That offer has been accepted by 80 per cent of the shareholders, including North West. In consideration for the dis-

posal of its remaining 5 per

BSouth, which will be renamed

Prime Utilities. The BSouth proposals are subject to approvals by the Malaysian government and the Kuala Lumpur Stock Exchange, as well as share-holders. This process could

take up to six months. IWK was six months ago awarded the contract by the government of Dr Mahathir Mohamad to upgrade and construct a nationwide sewerage

Berjaya associated companies, controlled by Malaysian Chinese entrepreneur Mr Vincent Tan, had a 35 per cent

Notice of Redemption

Mortgage Funding

Corporation No.4 PLC

(Incorporated in England and Wales with limited liability under

registered number 2133465)

£100,000,000 Class A1

Mortgage Backed Floating Rate Notes

Due 2035

NOTICE IS HEREBY GIVEN

Notes, that the Issuer has deter-

Redemption provisions set out in the Terms and Conditions, the Class Al Notes in the

nount of £6,100,000 will be

edeemed on the next Interest

1994 (the "Redemption Date")

The Class Al Nores will be re-

deemed on a pro rata basis and the Principal Payment per Class

At Note will be £6,100. The

Principal Payment on each Class A! Note will be made in

accondance with the operating

Čedei.

I kh October, 1994

rocedures of Eurocleur and

cent stake in IWK, North West stake in Indah. North West had will take equivalent stock in 25 per cent and funds associated with Malaysia's army and police force had 20 per cent

At the time opposition groups accused the government of favouritism towards Mr Tan and Berjaya, However, criticism was somewhat mollified by the broad composition of the Indah consortium.

Mr Bob Ferguson, North West's finance director, said the restructuring was being undertaken because the Malaysian government wished to see ownership of the recently privested in local publicly traded companies.

MAES Funding

No. 1 PLC

£200,000,000

Mortgage Backed

Notice is hereby given that

the Rate of Interest has been

fixed at 6.2625% for the

nierest period 11th October,

oating Rate Notes due 2018

Fine Decor advances to £1.4m

Fine Decor, a manufacturer of printed wallcoverings, increased pre-tax profits by 5 per cent from £1.33m to £1.4m in the six months to July 31. Sales came to £18.8m (£19.2m), made up of £10.1m (£11.7m) from the UK and

\$8.69m (£7.48m) from overseas mainly the US. The interim dividend is increased to 2.7p (1p) on earnings per share of 7.3p (8.1p). Mr Roger Reagan, chairman, said yesterday that the second half had started well and

difficult.

Bolton improves

Bolton Group, which is involved in property invest-ment, lifted pre-tax profits from £142,000 to £337,000 in the year to April 30. The result was achieved on

lower turnover of £1.35m (£2.46m). Earnings per share came through at 2p (1p). The acquisition of United Real Estate in June had allowed the group to extend its portfolio so it was not solely

dependent on the Goswell Road

property, directors said. Brandon expands

Brandon Hire, the Bristolbased hirer of power tools, catering equipment and marquees, has acquired Beechwood, a supplier of tools for

Consideration is £1.82m, of which £500,000 will be satisfied in shares, with the balance in taken to retain the shares for a minimum of 12 months.

The Beechwood business, established in 1974, operates from seven depots in south Wales and one in Bristol. It made profits before interest, tax and directors' remuneration of £166.000 on sales of £2.53m in the year to end-The value of the assets being

acquired is £632,000.

REA ahead 67% REA Holdings, the plantation, merchanting and storage

group, lifted profits by 67 pe cent to £592,000 pre-tax for the first half of 1994. The increase from the comparable £354,000 was achieved on turnover of £43m (£40.9m).

Merchanting contributed £467,000 (£342,000) to profits, reflecting increased business and improved margins. Despite continuing weak tea prices, the agriculture operations returned to the black with £83,000 (loss of £76,000). Earnings per share were 4.6p (1.2p).

Ipeco slips to £1.2m Ipeco Holdings, the maker of specialist products for the aviation and defence industries, reported a fall in pre-tax profits from £1.57m to £1.21m for the half year to June 25.

Mr Christopher Johnson, chairman, said the results reflected conditions in the asrospace market. However,

export growth was still strong. they represented progress from share of the European indus-However, conditions in the UK the low point reached last trial fluids market to about 10

He also announced the award of a contract for the supply of crew seats to the new 737-700 range of airliners, which, he said, firmly cemented the long-term relationship with Boeing.

Turnover slipped to £9.47m (£10.6m). The interim dividend is maintained at 1.3p, payable from lower earnings of 2.94p (3.8p) per share.

Widney/SPC

Widney, a maker of windows and water treatment, power transmission and electronic equipment, has made a deferred payment of £800,000 cash for SPC International.

The vendors of SPC, which refurbishes and sells point of sale systems and cash dispensers, agreed in July that payment would be made in cash or new Widney ordinary shares, at Widney's option, depending on SPC's profits. SPC reported £767,000 pre-tax for the year to

Derwent debenture

Derwent Valley Holdings, the property investment company, is to issue £35m of First Mortgage Debenture Stock 2019. The proceeds will be used to refinance the company's other borrowings and extend their maturity profile. The coupon has been set at

10.125 per cent with the issue price at £99.139 per cent. This gives an effective yield to investors of 165 basis points over the gross redemption yield on 8.75 per cent Treasury

Houghton Europe Houghton Europe, the private ly-owned US industrial fluids group based in Birmingham, is spending £13m on the takeover of CMT, a subsidiary of BASF

of Germany.
This will lift Houghton's

r cent, representing £70m a year.

Bulgin 77% ahead

AF Bulgin, the electrical components manufacturer. reported a 77 per cent rise in interim pre-tax profits from £280,000 to £497,000.

Turnover for the half year to July 31 was 15 per cent ahead, at £9.03m (£7.84m). Mr Ronald Bulgin, chairman, said that all parts of the group had performed well in what

had been the most profitable half year for a number of years. Earnings per share were

1.26p (1p). Emap/Trans World

Emap, the media concern, yesterday announced it had received valid acceptances in respect of 27.4m shares, or 69.8 per cent of the Trans World shares it did not already own. Together with the 11.6m shares held by Emap or its subsidiaries prior to the offer this represents 99.3 per cent of Trans World's issued share

Sturge disposal

Sturge, the Lloyd's underwriting agency, expects to receive an initial consideration of £500,000 for the sale of its members' agencies business to a management buy-out.

The sum will consist of £100,000 cash and £400,000 in preference shares in Falcon Agencies, the company taking over the business of RW Sturge and Donner, Sturge's two

members' agencies.
In addition RW Sturge and Donner will receive a deferred cash consideration dependant on future results of Falcon, subject to a limit of

The deal requires approval by Sturge shareholders and Lloyd's.

PUBLIC WORKS LOAN BOARD RATES
Effective October 11

Over 1 up to 2 Over 2 up to 3 Over 3 up to 4 8% 8% 8% 8% 8% Over 5 up to 6. Over 6 up to 7 .. Over 7 up to 8 ... Over 8 up to 9 ... 8% 8% Over 10 up to 15. Over 15 up to 25.

Notice of Prepayment SEK Aktiebolaget Svensk Exportkredit (Swedish Export Credit Corporation) FRF 600,000,000

NOTICE IS HEREBY GIVEN to the Bondholders that, in accordance with the Terms and Conditions of the Bonds, the Issuer will prepay all of the outstanding Bonds at 100.5 per cent. of their principal amount on 14th Natember, 1994 (the "Trepayment Date"), together with interest accrued Playment of principal and interest will be made on or after the Prepaymen Date at the specified office of any of the Paying Agents listed below against surrender of the Bonds, together with all unmarried Coupons attached. The accrued interest psyable upon presentation of each Bond will amount to FRF 5.95.88 per FRF 10,000 denomination and FRF 5,395.83 per FRF

Paying Agents

8¼ per cent. Bonds Due 1996

Bankers Trust Company 1 Appuld Street Bandgate London EC2A 2HE Rangue Indonez Relgique S.A. Place Sainte-Cadule 14 1000 Brussels Banque Indosuez Luxem 39, Allée Scheffer Crédit Commercial de France Seess Renk Corporation

115-117, av. des Champs-Elysées 75008 Paris 1 Aeschenvorstadt CH-4002 Basic Bankers Trust Company, London Bili October, 1994 Fiscal Agent

National Australia 🚜 Bank (incorporated with limited liability in the State of Victoria, Australia) Notice is hereby given that for the six months interest Period from October 13, 1994 to April 13, 1995 the Notes will carry an interest Rate of 6.025% per annum. The interest payable on the relevant interest payment date, April 13, 1995 will be U.S. \$7,614.93 and U.S. \$304.60 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000. **Undated Subordinated Floating Rate Notes**

U.S. \$250,000,000

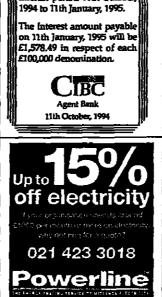
By: The Chase Manhottan Bank, N.A. London, Agent Bank

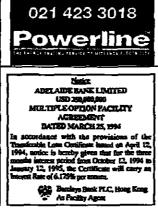
October 13, 1994

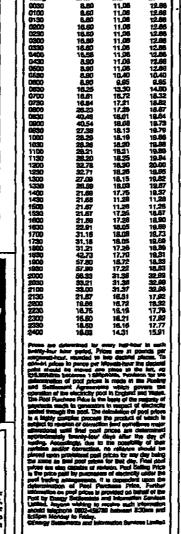


Luxembourg









Share price (pence)

280

Oct 53

COMMENT

the group to grow organically.

It is becoming increasingly dif-

ficult to be a bear on these

shares. Chemist shops are a

low risk business as licence

requirements make it difficult

to open new branches. The pol-

icy of issuing shares to mop up

competitors, much criticised at the time, now looks like good

strategy. The group has made

no large acquisitions for a cou-

ple of years, and has consis-

tently delivered results in line

with expectations. Gearing is

31 per cent - by no means

excessive - and interest cover

is a healthy 14.6 times. A divi-

dend of 11.5p this year gives a

prospective yield of 4.8 per cent, while forecast profits of

£62m leave the prospective

multiple at about 9. AAH and

UniChem - the companies

most often held up for compari-

A specialised and focused management would allow the businesses to respond

more quickly to pressures and opportuni-

ties, said Mr Greer. "We would like to

expand by acquisition again and this way

we will be able to do so much more

Mr Greer said trading in the dry

cleaning business had not improved since

the warning in August. On a brighter note,

"steps have been taken recently to reduce

the overhead costs of the lossmaking fran-

chise dry cleaning business in the US," he

said. "It is expected that this business will

break even in 1995." Analysts have estimated that the US franchise business had

been losing about \$1m (£600,000) a year.

The shares closed up 1p at 256p.

Largest gains achieved in pharmaceuticals and veterinary products

Lloyds Chemists 17% ahead

By David Biackwell

Lloyds Chemists, the UK's second largest pharmaceuticals retailer, lifted both profits and turnover by 17 per cent for the year to the end of June, helped by large sales gains in the pharmaceuticals and veterinary divisions.

Pre-tax profits rose from £49.7m to £58.3m, while sales expanded from £802m to £940m. The latest profits included an exceptional gain of £2.81m from disposals.

Earnings per share rose from 28.5p to 33.67p. The board is proposing to increase the final dividend from 5.25p to 6.8p, raising the total by 31 per cent to 9.5p (7.25p). Mr Allen Lloyd, chairman,

said the record results had been achieved in the fourth year of a recession characterised by negligible inflation. fragile consumer confidence and a very competitive retail

"We have no declining markets, all our divisions are profitable, and all are moving for-The shares rose by 16p to

299p.
Sales in the retail division. which includes the chains of more than 900 chemist shops and some 300 Holland & Barrett healthfood shops, were 5.5 per cent ahead to £601m (£569m). Profits rose from £44.9m to £49.5m.

The group said the healthcare market was continuing to grow, with increasing NHS business and buoyant over the tor, and in Northern Ireland, a

Johnson Group Cleaners, the largest dry

cleaners in the US and the UK, yesterday

warned that profits would be hit by a

£2.4m charge to pay for a reorganisation of

ny's warning in August that full year prof-

its were expected to fall in 1994. Difficul-

ties in both dry cleaning and textile

rentals led analysts to rein in profits esti-

Mr Terry Greer, chairman, said yester-

day's statement was not a profits warning.

It was instead a positive step to enable the

company to "improve a lot faster". he said.

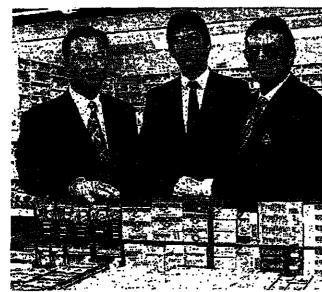
"We are confident that all the steps we are

mates at the time from £18m to £17m.

The announcement follows the compa-

By Peggy Hollinger

its British operations.



Peter Lloyd, chief executive (left), with Michael Ward. finance director and Allen Lloyd: the group has no declining markets

Revamp costs hit Johnson Cleaners

taking will have a positive effect on trad-

of up to 100 jobs, including some senior

managers. Johnson would also step up the

closure of 50 marginal dry cleaning shops.

about £500,000 a year. Mr Greer said.

The actions would result in savings of

From the beginning of next year, John-

Managing directors have been appointed

son's textile rentals and dry cleaning busi-

nesses would be run as separate compa-

to both divisions and the textile rental

business would trade under the name

Apparelmaster UK. Johnson is the fourth

largest garment rental operator in the

The reorganisation would mean the loss

counter sales. The group describes itself as the leading neighbourhood pharmacy chain, with most shops near doctors' surgeries.

It has won the NHS contract to distribute 14.3m rubella vaccinations in the government campaign to treat all children between five and 16 years

The pharmaceuticals division increased sales by 49 per cent from £184m to £274m and lifted profits from £11.4m to £13m. The increases reflected acquisitions in Scotland, where it is now the leading distribu-

ing next year."

well as organic growth. Profits at the veterinary division rose from £2.08m to £3.54m on the back of a 32 per cent increase in turnover from £49.2m to £65,1m. Mr Lloyd said the group

new market for the group, as

would "do even better in future", adding that first quarter sales in the retail division were 8 per cent higher, while the pharmaceutical and veterinary divisions were 39 per cent and 47 per cent higher respectively.

While he did not rule out further acquisitions completely, he said he would be happy for

Luxury sales help Time Prods to £4.7m

By David Blackwell

Time Products, the watch and jewellery distribution group, lifted both turnover and profits, excluding exceptional items, by almost a quarter in the six months to July 31.

Mr Marcus Margulies, chairman, said yesterday he was pleased with the results and confident about the future. "Rich people will always buy, but you have to have the things they want,

In the pipeline was "the most complicated pocket watch ever made," which would have 11 hands and movements on both sides and sell for more than £500,000. Pre-tax profits were £4.69m against £5.83m last time, when

profits on disposals totalled Total turnover rose from £29.9m to £37.2m, including a £2.05m contribution from the Swiss distribution of Audemars Piguet, the Swiss watchmaker. Time, which already has the North American distribution rights, paid £2.5m cash and assumed £2.5m of debt to

buy the Swiss rights last Mr Margulies described sales of luxury watches, which can be priced at up to £500,000, as satisfactory, with Audemars Piguet sales in North America

exceeding expectations. The group, which holds agencies for seven luxury watchmakers, including Blancpain and Vacheron Constantin, sold 10 pieces at more than £100,000 in the half.

Last year the group acquired Judith Leiber, the American designer of luxury handbags and evening bags which retail at between \$1,200 and \$4,000. It is planning to develop the brand, adding costume jewellery and other accessories.

Luxury items made up 70 per cent of operating profits, compared with 30 per cent from the volume operations, including Sekonda watches.

The cost of buying the Swiss rights to Audemars Piguet and lower rates reduced interest income from £513,000 to £138,000 and left the group marginally geared. But profits are skewed to Christmas and the second half, and the group expects to be cash positive by January.

Earnings were 5.85p (6.67p). The interim dividend is raised by 0.25p to 3.25p.

Ryan Hotels rises 53%

Ryan Hotels, the Dublin-based hotel operator, lifted pre-tax profits 53 per cent from 1£526,000 to I£804,000 (£795,000) in the six months to July 28.

Turnover improved to I£12.2m (I£11.5m) generating flat trading profits of I£2m. Earnings per share worked through at 0.97p (0.55p) and the interim dividend is held at

Intl Inv Tst of Jersey advances

The International Investment Trust Company of Jersey had pre-tax profits of £560,000 for the six months to June 30, compared with £390,000.

Investment activities contributed £150,000 (£216,000). while the share of profits of associated companies added £176,000 (£77,000). Surplus on sale of investments was £273,000 (£131,000).

Earnings per share came out at 8p, compared with 6.2p, and an interim dividend of 7.6p is payable, up from 6.4p.

Team Aer Lingus out of examinership

By John MacManus

Team Aer Lingus, the aircraft maintenance subsidiary of Ireland's national airline, has come out of examinership after its trade unions accepted new work practices.

An examiner, the Irish equivalent of an administrator, was appointed to Team Aer Lingus two weeks ago after its parent refused to advance it any more funds following unions' rejection of proposals on more efficient work practices. The unions then reballoted members and the proposals were accepted. leading to renewed support from Aer Lingus for the subsidiary, which lost 1£32m on turnover of I£86m last year.

Team Aer Lingus has started to re-employ some of the 1,138 workers - out of 1,900 - laid off since the industrial dispute began five months ago. It is not expected to return to profit for at least two years.

Cash piles can grow too big for comfort

Peggy Hollinger doubts wisdom of share buy-backs

lectricity investors have pocketed more than months as the regional power companies have rushed to buy back their own shares. The bonanza comes to a tem-

porary halt next week as the last of the 12 regional electricity companies enters its closed period in advance of interim results. This means that neither the company nor its directors may deal in shares until the results are made public. While only nine of the 12

recs have actually bought shares from investors, all have received shareholders' approval to repurchase up to 10 per cent, or more in the case of one company: Eastern, which led the way with the first buy-back in January, has permission to repurchase up to

14.9 per cent. The companies argue that the raft of share buy-backs has been prompted by a desire to return value to shareholders. With the simple act of buying shares for cancellation, the recs are able to improve their earnings. It has been estimated that if all the recs bought back 10 per cent of their equity, the sector's earnings could

improve by about 6 per cent. This is a low risk way of enhancing value, say the recs, and of using the rapidly growing cash piles generated by the regulated businesses.

In reality, however, the cash mountains are uncomfortable luxuries as the utilities face increasing political pressure to return value not just to share-

holders, but also to customers. SG Warburg, the London broker, has estimated that the 12 recs are on their way to building a net £2.7bn cash mountain by the end of the

Such pressures have also increased fears that the electricity companies could become the targets of a one-off tax, either when the National Grid is spun off next year or at a change of government.

"The regional electricity companies have been busily

THE RECS' SHARE BUY-BACKS 1994 13.5 15.3 21,2 662.90 Dec 12 672.00 725.00 844.17 Dec 6 786.41 814.60 429.68 803.02 769.00

£ Mildlands, Southern and Yorkshire have not exercised their right to buy shares. Weighted evenings

trying to find money to spend to get their balance sheets geared up to such a degree that it will prevent them being stuffed with debt by the gov-

ernment," said one analyst.

Meanwhile, shareholders
were not likely to be satisfied with companies sitting on large cash piles at a time of low interest rates. Yet neither would they be happy with widespread diversification. given the poor track record that utilities have outside their core businesse

So the question was, how best to use the cash and return value to shareholders?

Paying a special one-off dividend, or even a sub-stantially higher one, could present difficulties. "You have to be sensitive to the public and political issues," said one industry executive. "If you paid a huge increase in dividend, what sort of reaction would that produce?"

Repurchases also allow the recs to sidestep the increased dividend problem. Eastern set another trend by increasing its dividend 20 per cent after the first buy-back. Yet because there were fewer shares in issue, the total sum paid out was no greater than the previous year. The other recs are expected to follow Eastern's

However, not all the companies agree that buying back shares now is the best way to enhance value for shareholders. Three - East Midlands

Southern and Yorkshire - have chosen not to buy shares. At least two are waiting for the outcome of discussions on the future of the National Grid, the transmission company owned by the recs estimated to be worth at least £1bn.

The manner in which this is spun off could have substantial financial implications for the recs, and for shareholders: for example, in the advance corporation tax burden which the companies will have to carry in case of a distribution to shareholders. There is also the added fear that the companies could face a potential capital gains tax bill of more than fibn on a Grid flotation. Until all the facts are known, these companies argue, it is impossible to decide on the best way to return value to sharehold-

ers.
The abstainers would also argue that some share buybacks give the greatest benefit to a select group of investors. If the buy-backs are conducted through an agent - as in the case of the two recs who bought 10 per cent - eligible sellers could claim tax credits. While all investors would benefit from improved earnings, only a few could reclaim the credit, estimated at an average 150p a share.

Such concerns do not mean that these abstainers will stay out of the market forever. Far from it. "We have the power to do it and it is just a matter of timing," said one industry

Northern Rock establishes indemnity insurance offshoot

By John Gapper,

Northern Rock, the 11th largest building society with assets of £7.2bn, yesterday announced that it had established its own "captive" com-pany to provide mortgage indemnity insurance.

Northern Rock is the latest society to take advantage of a relaxation of restrictions by

the Building Societies Commis- provide indemnity insurance n last year. This allowed societies to own more than 15 per cent of a non-life insurance company.

Indemnity insurance protects lenders against repossession losses by making up the deficit if a property has to be sold for less than 75 per cent of its purchase price. This was common in the early 1990s. Northern Rock's move to through a Guernsey-based company with initial authorised capital of £3.5m comes after it switched indemnity insurance from Sun Alliance to Commercial Union last year.

The investment manager for the captive insurance company will be Kleinwort Benson (Guernsey), and it will be regulated by the Guernsey Financial Services Commission.

Owen & Robinson expands via **Pro Performance acquisition**

Owen & Robinson, the jewellery and sports footwear retailer, has agreed to acquire 38 leasehold outlets from SSL Retail, a subsidiary of Sears, the speciality retail and home

shopping group.

Consideration will amount to a maximum of £1.06m cash, satisfied from existing

Wates sells property

Wates City of London Properties has sold a lease on one of its prime City of London sites for £4.1m to Axa Equity and Law Investment Managers.
The 12,000 sq ft building was developed by Wates 10 years ago. Nearly half of the tenant leases expire next year, although Wates said that the principal tenant had recently extended its stay to 2009.

IN BRIEF CATTLE'S (Holdings) is selling its five travel agencies, which trade as Travelplan, to Going Places, part of Airtours. The consideration is £150,000 cash. There will be an exceptional charge of about £120,000, due to reinstatement of goodwill, in the group's results for 1994. GRT BUS Group has received acceptances of the offers for SMT Omnibuses shares in

respect of 254,000 SMT ordinary shares, representing 96.4 per cent of those in issue, and 216,000 preference shares, representing 100 per cent of those in issue. The offers have now been declared unconditional. SCOTTISH ASIAN Investment: fully diluted net asset value rose 39 per cent, from 213p to 295.6p per participating share over year to July 31. Value had

further risen to 316.2p by Octo-

ber 7. Attributable revenue for year amounted to £59,930

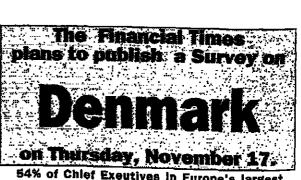
ing and equipment, as well as footwear. They will be integrated into Owen & Robinson's existing Footbold operation, raising the chain to 53 outlets and extending its presence

The outlets operate under the Pro Performance banner. reduce the group's exposure to the sports footwear market "which continues to decline" and currently sell sports clothand allow it to concentrate on its Olympus offshoot. Sears will book a loss on disposal of some £5.8m although this will be more than offset by

nation-wide. the release of Mr Liam Strong, Sears chief longer required.

the release of provisions no **DIVIDENDS ANNOUNCED**

l	payment	payment	ponaing dividend	for year	last year
BNB Resourcesint	1.77	Nov 30	1,6		4.9
Cap/Regional §int	0.6†	Nov 25	0.5	_	1.5
Fine Decorint	2.7	Nov 25	1	-	4.7
Int IT Jerseyint	7.6♦	Oct 24	6.4	-	-
ipecoint	1.3	Nov 24	1.3	-	3.6
Lloyds Chemistsfin	6.8	Dec 14	5.25	9.5	7.25
Ryan Hotelsint	چ.0.5	Dec 15	0.5	-	1
Time Productsint	3.25	Jan 6	3	-	8.5
Dividends shown pence Increased capital. §USM	per share stock.	net except Part pald	where other	rwise sta	ated. †C



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Fed Chairman Alan Greenspan boosted dollar by announcing currency's fall was bad for U.S. economy.

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COMMODITIES AND AGRICULTURE

Magma to go ahead with Nevada gold/copper mine

By Kenneth Gooding, Mining Correspondent

Nevada is to have another copper-gold mine. Magma Copper, the Tucson-based group, vesterday gave the go-ahead for its US\$300m Robinson mine near Ely in the middle of the

Robinson is scheduled to start up in January, 1996, and will produce 135m lb (61.252 tonnes) a year of copper. 110,000 troy ounces of gold and 325.000 troy ounces of silver for 16 years, said Mr Burgess Winter. Magma's president. Life-ofmine cash operating costs would be 50 cents a pound (\$1,102 a tonne) but only 46 cents (\$1,014) in the early

Only a week ago Magma, with a bid of about US\$250m. won the closely-contested auction for Tintava, Peru's secondlargest copper mine, which was sold by the government as part of its privatisation pro-

Mr Winter said at a meeting in London with the Association of Mining Analysts that the combination of Tintaya and Robinson made achievable Magma's target of producing 750m lb of copper a year at a cost below 50 cents a pound by the end of 1996 and gave it a good base for its long-term objective of producing 1bn lb at below 50 cents by the year

Robinson was until the late 1970s mined by Kennecott, the US company now part of RTZ. but was closed down because of high costs and the need for substantial capital investment. Kennecott sold the entire area to Alta Gold, a "junior" company, for \$20m after a court dispute and Magma paid \$58m to take it over gradually from

Mr Winter said the mine needed a new tailings (waste) tonnes by the year 2000.

dam and concentrator plant The three existing open pits had substantial reserves around them - 252m tonnes containing 2.1bn lb of recoverable copper and 1.8m ounces of gold - and there was considerable potential to increase these

Magma had hoped to bring Robinson into production in late 1994 but was delayed by an environmental impact statement by the Nevada Bureau of Land Management. The Bureau approved the operating plan on September 9 and the 30-day appeal period expired

The copper market might face some years of oversupply before the end of the decade, warned Mr Juan Villarzu, president of Codelco, Chile's stateowned group. He pointed out that Chile's copper production from 2.2m tonnes to about 4m

> "The USDA finally has some breathing room," said Mr. Joe Victor, a grain analyst with Allendale, Inc. "Last year we had prices up, but nothing to sell. This year, we've got a big crop and the USDA is saying we're going to export more of

The agency estimated yester-

On Monday, the USDA said that 44 per cent of the US soyabean harvest had been completed, and 27 per cent of the maize crop was in. Farmers said that despite ideal conditions, the large crop would take longer than usual to har-

estimate increased again

By Laurie Morse in Chicago

The size of this year's US prospective feedgrains harvest grew again yesterday, with the US Department of Agriculture now saying that the maize crop will be 9.6bn bushels, higher than trade estimates of 9.5bn, and 345m bushels more than the agency's own forecast a month ago.

The government's estimate for soyabean production also rose, to 2.45bn bushels, from last month's 2.3bn. The report normally would have prompted a steep plunge in grain prices at the Chicago Board of Trade. However, grain futures markets were steady to slightly higher yesterday morning as traders concentrated instead on the USDA's forecasts for much bigger export sales of

day that the US would sell 1.625bn bushels of maize overseas this crop year, and would export 740m bushels of soya-

up 80 per cent from \$390 at the

US maize |Investment plans dim paper hopes

Capacity boosts may stall recovery, writes Christopher Brown-Humes certainly going to be lower in

The disclosure last week that two of Sweden's big pulp and paper groups are planning significant new capacity investments sent shivers through a market that is just getting used to the idea that the good times are back.

Stora, Europe's biggest pulp and paper company, said it was starting design work on a new 290,000-tonnes-a-year board machine - an investment that would cost around SKr2.8bn (£240m). MoDo, meanwhile, is expected to confirm next month that it will go ahead with the construction of a SKr2.1bn newsprint machine, with a capacity of 270,000

tonnes, at its Braviken plant, These are by some margin the biggest investments to be announced by Swedish forestry groups this year. But the news did not go down well with the market where memories of the severe downturn in the for estry cycle between 1991 and 1993 are still painfully fresh.

"Last time it was not lack of demand that drove operating rates down - it was excess capacity." says Mr Mads Asprem, forestry analyst with Morgan Stanley in London. He says much of the optimism now surrounding the industry assumes there will only be limited construction of new capac-

The reason for this optimism is simple: prices in virtually every pulp and paper segment are on the rise and in an industry characterised by strong cyclical patterns there is every indication that the market is firmly on the road up to its next peak two or three years hence. The price of northern bleached softwood kraft pulp, the industry staple, has already reached \$700 a tonne,

Norske Skog, the Norwegian papermaker, announced yesterday it would increase newsprint prices in the UK market by 15 per cent from the beginning of next year, writes Deborah Hargreaves. The company which has a 10 per cent share of the British newsprint market, said the increase was the minimum it

could ask for to cover sharply higher raw materials costs. Many newsprint mills are seeking to raise prices from the beginning of October, which is likely to lead to increases in general of 7 to 8 per cent this year. But the market could be pushed higher when annual negotiations with newspaper pub-lishers open towards the end of the year, when mills will be looking to pass on costs which have doubled and even trebled

Prices in continental Europe and North America are also set to increase as rebates are eliminated in a more buoyant economic climate. Newsprint prices could rise by as much as 30 per cent in the US market.

that progress is unlikely to be end of last year. Prices for fine paper, of which pulp is the even. "There is a serious chance of an inventory-driven maior constituent, have been increased five times in 1994. correction in the second half of 1995," says Mr Asprem. Now the trend is feeding fur-There is also a strong possither down to the chain to bility that companies will be unable to get the price rises newsprint and magazine paper grades where rises of 10 and 20 they are seeking in full. For per cent have either been implemented or notified. example, analysts say news-

The upturn has been demand-driven in line with the recovering world economy. Increased volumes first boosted operating rates and are now lifting prices. In Finland, the forestry industry is effectively running flat out with an operating rate of 94 per cent, compared with 38 per cent last

The recovery is at an early stage and prices are still below the levels reached at the last market peak in 1989-1990. "Paper and board prices fell by 30 to 35 per cent between 1991 and 1993," notes Mr Jarl Köhler, managing director of the Finnish Forestry Industries

The pulp price reached \$840 a tonne in 1989, and although most pundits believe that neak may well be scaled during the current upswing, they warn

the only worry for the Nordic producers. Their costs are going up - particularly for pulp wood, which has risen by around 15 per cent since the market trough. There is also a widespread expectation that the 1995 wage round is going to be a difficult one as employees seek their share of the sector's upturn. Finally, there is the dampening effect of high long-term interest rates. Mr Köhler notes that every 1

local currency terms in 1994

Stronger currencies are not

than they were in 1993.

whoi ga

per cent interest rate increase costs the Finnish forestry industry FM650m (£85m), every 1 per cent rise in the markka FM400m, every 1 per cent rise in wood costs FM120m and every 1 per cent increase in salaries FM100m. He also points out that although Finnish pulp and paper companies will earn more than FM3bn this year, income will be well short of the "normal" FM7bn level required to cover investments, debt repayments, R & D A spending spree in the late

1980s and early 1990s left most of Finland's big forestry groups heavily in debt and they have been in no hurry to announce new investments this time round. Instead, the talk in the country's forestry industry has been of streamlining and merg-

Even so, the return to profitability and low short-term interest rates are fast reducing the debt burden and the strengthening markka is cutting the cost of servicing the foreign currency element of it. It may not be long before the Finns are tempted to follow the example of their neighbours by ordering new machinery.

FSU metal use seen staying low

By Kenneth Gooding

Metals consumption in the former Soviet Union may be nearing the limit of its dramatic decline but it is not about to recovery rapidly. according to Mr David Humphreys, economist at the RTZ Corporation, the world's largest mining group.

Meanwhile, metals production in the region almost certainly had further to fall. "implying that the broadest part of the export bubble is now passed."

In any case, said Mr Humphries at a conference organised by IBC Financial Focus, contrary to public perception, the reform process in the former Soviet Union had had a fairly limited impact on world markets for the major base metals in physical terms - "although the effect on prices has admittedly been rather greater on account of the uncertainty associated with the FSU's

exception ~ and a big one was aluminium.

Copper, lead and zinc consumption in the FSU had fallen by half since 1990 while aluminium and nickel use was down by nearly 75 per cent. A

London Metals Week

revival of metals use was highly dependent on investment but this was not forthcoming because of the outlook for demand, high interest rates, and lack of investor security, as well as "the immediate political requirement to protect consumers from deprivation". But without investment if was difficult to see how metal consumption could recover.

Russia's commodity exporters had been generating substantial foreign exchange earn-

NYMEX (42,000 US calls., c/US calls

+0.26 48.00 47.45 23,336 16,875 +0.26 55,70 55,10 18,608 8,377

 55.60
 -0.26
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 10,650
 25.25

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 574

 54.90
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 54.70
 2,407
 37

 58.50
 +0.16
 58.80
 58.80
 4,292
 270

export behaviour". The key ings but this money was not being reinvested and in some cases not being returned to the economy at all.

> It was not a question of waiting for a cyclical swing to prompt a restart of idled industrial capacity because much of that which was idle was obsolete or, in the case of military installations, irrelevant, and would never work again. On the other hand, most of

the FSU's metallurgical plant was serviceable even if it was neither efficient or environmentally friendly. But its mines were in extremely poor condition. So, "in the absence of substantial investment in the FSU's mines and metals sector - and soon - it is by no means impossible that when the recovery does eventually begin to bite and metals consumption starts to grow again. there will be a period in which the area will become a net importer of certain major base

MARKET REPORT

Oil futures fall for second day as fears of Gulf conflict recede

tional Petroleum Exchange consecutive day as chances of conflict on the Kuwait-Iraq border appeared to recede. At the London Metal

SOFTS

MEAT AND LIVESTOCK

traders at London's Interna- Exchange COPPER prices turned higher in the afternoon, lifting other base metals. A firmer overnight trend in the

the main reason for copper's after a session marked by volarenewed strength. London COFFEE futures Compiled from Reuters

print producers may be opti-

mistic in hoping for a 20 per

cent price increase from the

start of next year. Buyer resis-

tance could limit the rise to

between 10 and 15 per cent

despite stronger demand and a

surge in waste paper prices.
Although Nordic forestry

groups are back in profit, the

turnaround has stemmed from

cost-cutting, volume increases

and currency factors. In the first half of this year, higher prices were only just starting

to feed through to the bottom

nounced impact in the second

half, although much of the

gain will be offset by the

recent strengthening of both

the Finnish and Swedish cur-

rencies. With some segments -

uncoated magazine paper, for

example - prices are almost

There will be a more pro-

tile price swings.

BASE METALS

LONDON METAL EXCHANGE Prices from Amakamated Metal Trading M ALUMINIUM, 99.7 PURITY (5 per tonne

COMMODITIES PRICES

						•
_	Cash	3 mths	Oct	388.0	+0.4	3
			Nov	389.1	+0.4	_
Clase	1636.5-7.5	1656-7	Dec	390,6	+0,4	3
Previous	1616.5-7.5	1635.5-6.0	Feb	394.0	+0.4	3
High/low	1630	1663/1642	Apr	397.5	+0,4	3
AM Official	1630-30.5	1649-9.5	.jan	401,0	+0,4	4
Kerb close		1658-9	Total			
Open int.	251,739		■ PL/	MUNITA	NYMEX	(5
Total daily tumover	36,632					_
E ALUMINIUM ALI	LOY (\$ per tonne)		Oct	415.8	+0.4	4
			Jan	419.3	-0.3	4
Close	1660-70	1680-90	Apr	423.7	-0.3	4
Previous	1650-60	1675-80	Jul	426.6	-0.3	4
High/low			Oct	429.3	-0.3	
AM Official	1660-70	1680-90	J20	432.3	-0.3	
kerb close		1680-90	Total			
Open mt.	2,957		TÉ PAI	LADIUM	NYME	X (
Total delly furnover	· 84		Oct	151,10	-0.25	_
🗷 LEAD (\$ per ton)	ne)		Dec		-0.25 -0.25	15
Clase	634.5-5.5	647-8	Ver.	152.10 153.10	-0.25	
Previous	625-6	638.5-9.0	Jan	154.20	-0.25	13
High Yow	02.340	651/642	Total	10-20	74.23	
AM Official	631-2	645-6				_
herb clase	001-2	646-7	n Sil	VER CON	NEX (10	<u> </u>
Open int	42,445	C3-1	Oct	547.4	-12	
Open int Total daily tumover			Nov	549.1	1.5	
			Dec	551.5	-1.5	5
NICKEL (S per ti	onne)		Jan	554.1	-1.5	5
Clase	6590-600	6890-700	Mar	560.1	-1.5	5
Previous	6475-85	6580-90	May	585.4	-1.5	5
High You	6570	6710/6590	Total			-
AM Official	6565-70	6675-80				
hurb close		6705-15				
Open int.	73,908		 \			
Total daily tumover			ENE	ERGY		
E TIN IS our tonne			T CR	UD€ OfL	NYME	×ι
	$\overline{}$					÷
Clesa	5235-35	5410-20		Latest		
Frevious	5290-300	5370-80			change	
High law	5295	5415/5380	Nov	17.60	-0.10	1
AM Otheral	5290-5	5385-6	Dec	17,71	-0.08	1
herbicteso		5410-20	Jan	17.79	-0.07	1
Cpen int Tatal dark Limita	18,051		Feb	17.78	-0.05	1
Total daily tumovar			Mar	17.80	-0.05	1
ZING, special h	ign grade (S per I	onne)	Apr Totol	17.79	-0 09	1
Close	1044 5-5 5	1066-7				
Previous	1036-7	1058-9	E CR	UDE OIL	IPE ISA	ba
Hait low		1069/1059		Letest	Day's	
ALI Official	1037-8	1059.5-60		nrice	change	н
Furbiclase		1068-9	Nev	16.2B		1
Open int	103,706		Dec	16.32	-0.16 -0.17	1
Total daily tumours	17,969		Jan	18.34	-0.20	1
COPPER, grade			Feb	16.35	-0.17	1
			Mar	16.38	-0.12	i
Clase	2511-13	2509-10	Apr	16 58	+0.08	i
Principus	2485-6	2485-8	Total			
High lou At LOHearl	2499/2496	2516/2484		ATING O	u Marie	
AM Official		2497-8	= ME	WILLIAM OF		ν.
	2498-8 5					X (
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kerb dasa Open int	202,591					
kerb class Open int Total daily turnover	222,591 41,003	2507-8	Keu	price	cyanda pai,2	H
kerb class Open int Total daily turnover II LME AM Offici a	202,591 41,003 al E/S rate: 1.581;	2507-8	Nov Dec	price 48.10	Day's change 0.63	N J
kerb class Open int Total daily turnover	202,591 41,003 al E/S rate: 1.581;	2507-8		price	cyanda pai,2	H
kerb class Open int Total daily turnover I LME AM Officia LME Clasing E/	222,591 41,003 at £/5 rate: 1.581 % rate: 1.5794	2507-8 3	Dac	price 48.10 49.00	Day's change -0.63 -0.74	N J
North class Open ant Total daily turnover LME AM Officia LME Closing E/ Spot1 5515 3 mins 15	202,591 41,003 at £/S rato: 1.581: % rato: 1.5794 5306 6 mms:1.5775 (2507-8 3	Dec Jan	98.10 49.00 49.95 50.65	0.63 -0.74 -0.49	N 31
North class Open ant Total daily turnover LME AM Officia LME Closing S Spot: 1 5515 3 mins 1 5	202,591 41,003 at £/S rato: 1.581: % rato: 1.5794 5306 6 mms:1.5775 (2507-8 3	Dec Jan Feb Mar	97.00 48.10 49.00 49.95 50.65 50.60	Day's change -0.63 -0.74 -0.49 -0.49 -0.34	N 4 5 5 5 5 5
North class Open int Total daily turnover LIME Closing S/ Spot:1 SS15 3 mtrs 1 5 HIGH GRADE C	222,591 41,003 at £/S rate: 1.581: S rate: 1.5794 306 6 mms: 1.5775 (2507-8 3	Dac Jan Feb	98.10 49.00 49.95 50.65	0.63 -0.74 -0.49	N 49 5 5
North class Open ant Total daily turnover LAME Closing & LAME Closing & Spott 15815 3 mbs 15 M HIGH GRADE C	252,591 41,003 di £/5 rato: 1.581; 5 rato: 1.5794 5306 6 mins:1.5775 ; OPPER (COMEX)	2507-8 3 3 mms,1.5737 Opon	Dec Jan Feb Mar Apr Total	price 48.10 49.00 49.95 50.65 50.60 50.00	Day's change -0.63 -0.74 -0.69 -0.49 -0.34 -0.29	N 4 5 5 5 5 5 5
North class Open ant Total daily turnover III LAIE AM Officia LAIE Closing & Spot 1 5815 3 mins 1 5 III HIGH GRADE C Day Gass Ghar	222,591 41,003 di £/5 rato: 1.581 % rato: 1.5794 306 6 minst1.5775 COPPER (COMEX)	2507-8 3	Dec Jan Feb Mar Apr Total	97.00 48.10 49.00 49.95 50.65 50.60	Day's change -0.63 -0.74 -0.69 -0.49 -0.34 -0.29	N 35 5 5 5 5 5 5
North dioxic Open and Total daily furnover III LIME AM Officia LIME Closing S/ Sport 5515 3 mins 15 III HIGH GRADE C Union Character Class Character Class Character	222,591 41,003 al 2/5 rate: 1,581: 5 rate: 1,5794 300 6 mmx1,5775 : OPPER (COME)0 (*3 mge High how 70 116.85 116.70	2507-8 3 3 mms,1.5737 Opon	Dec Jan Feb Mar Apr Total	price 48.10 49.00 49.95 50.65 50.60 50.00	Day's change -0.63 -0.74 -0.49 -0.49 -0.31 -0.23 (Szonne)	N 4 5 5 5 5 5 5
North clare Creat daily turnover Total daily turnover III LIME AM Officia LIME Closing & Sport 1 5515 3 mins 1 5 III HIGH GRADE C Ding Class dia Oct 116 70 40. North Min 1 15 10 -0	202,591 41,003 di £/5 rato: 1.581: 5 rato: 1.5794 306 6 mms:1.5775 (OPPER (COME)) /* nge High low 70 116.85 116.70 45 115.40 115.40	2507-8 3 3 mms,1.5737 Opon	Dec Jan Feb Mar Apr Total	price 48.10 49.00 49.95 50.65 50.60 50.00 6 OIL IPE	Day's change 0.63 -0.74 -0.69 -0.49 -0.29 (S/tonne)	N 49 5 5 5 5 5 5
North class Open int Total daily turnover III LASE AM Officia LAME Closing & Spots 5815 3 miles 15 III MIGH GRADE C Day Class chair Oct 116:70 +0. Not 115:10 -0 Doc 116:80 +0.	222,591 41,003 di £/5 rato: 1.581: 5 rato: 1.5794 306 6 mms.1.5775 (OPPER (COME)0 f3 rg6 High low 73 116.85 116.70 45 115.40 115.40 45 115.65 114.65	2507-8 3 3 mgs,1,5737 Open set Vol	Dec Jun Feb Mar Apr Total E. GAS	9.00 49.95 50.65 50.60 50.00 Sett price	Day's change 0.63 -0.74 -0.69 -0.49 -0.29 (Sztonnei Day's change	N 49 5 5 5 5 5 5 5 5 5
Norto dosso Open int Total daily tumover III LME AM Officie LME Closing 5/ Sport 5515 3 mbs 15 III HIGH GRADE C Disso char Oct 116.70 +0. Nor 115.10 +0. Doc 114.60 +0. Jam 114.35 +0.	222,591 41,003 al 2/5 rate: 1.581: \$5 rate: 1.5794 300 6 mmx1.5775 : OPPER (COMEX) (*5) 116,85 116,70 45 115,40 115,40 45 115,65 114,65 35 114,90 114,85	2507-8 3 3 mths,1,5737 Open set Vol	Dec Jun Feb Mar Apr Total E. G.As	971ce 48.10 49.00 49.95 50.65 50.60 50.00 6 Off. IPE Sett price 150.50	Day's change 0.63 -0.74 -0.49 -0.34 -0.22 (Stonne) Day's change -5.00	H 150
kerto diano Coren int Total dain; tumover III LIME AM Officie LIME Closing & Spot 1 5515 3 mins 1 5 III HIGH GRADE C Class Chair Oct 116 70 +0 Nov 115 10 +0 Doc 114 85 +0 Lime 113 50 +0 Feb 113 80 +0	202,591 41,003 at £/5 rate: 1.581: 5 rate: 1.5794 306 6 mms 1.5775 9 OPPER (COME)0 75 116,85 116,70 45 115,40 115,50 45 115,65 114,65 25 114,90 114,85 25 114,95 114,85	2507-8 3 3 mgs,1,5737 Open set Vol	Onc Jun Foth Mar Aper Total E. GAS Nov Dec	97108 48.10 49.00 49.95 50.65 50.60 50.00 6 OIL IPE Sett price 150.50 153.00	Day's change 0.63 -0.74 -0.49 -0.34 -0.22 (S/tonnet) Day's change -5.00 -4.50	H 15:
Kerto dicho Chen int Total daily tumover III LIAE AM Officia LIAE Closing & Spot1 5515 3 milk 15 III MIGH GRADE C Cless char Oct 11670 -0 Note 11510 -0 Dec 114,60 -0 Jam 114 35 -0 Little 113 40 -0 Little 113 40 -0 Little 113 40 -0	222,591 41,003 al 2/5 rate: 1.581: \$5 rate: 1.5794 300 6 mmx1.5775 : OPPER (COMEX) (*5) 116,85 116,70 45 115,40 115,40 45 115,65 114,65 35 114,90 114,85	2507-8 3 3 mt/s,1.5737 Open set Vot	Onc Jun Feb Mar Apr Total E. G.As Nov Dec Jan	97000 48.10 49.00 49.00 50.65 50.60 50.00 6 Off. IPE Sett price 150.50 153.00 155.00	Day's change 0.63 -0.74 -0.49 -0.34 -0.29 (S/tonnet) -5.00 -4.50 -4.50	N 3 5 5 5 5 5 5 5 1 15 15 15 15 15 15 15 15
Kerto dicho Chen int Total daily tumover III LIAE AM Officia LIAE Closing & Spot1 5515 3 milk 15 III MIGH GRADE C Cless char Oct 11670 -0 Note 11510 -0 Dec 114,60 -0 Jam 114 35 -0 Little 113 40 -0 Little 113 40 -0 Little 113 40 -0	202,591 41,003 at £/5 rate: 1.581: 5 rate: 1.5794 306 6 mms 1.5775 9 OPPER (COME)0 75 116,85 116,70 45 115,40 115,50 45 115,65 114,65 25 114,90 114,85 25 114,95 114,85	2507-8 3 3 mths,1,5737 Open set Vol	Dec Jun Feb Mar Apr Total E GAS New Dec Jan Feb	97000 48.10 49.00 49.95 50.65 50.60 50.00 6 On. IPE Sett prices 150.50 153.00 154.00 156.25	Day's change -0.63 -0.74 -0.69 -0.49 -0.29 (S/tonnel -5.00 -1.50 -1.50 -1.25	N 4 5 5 5 5 5 5 5 1 15 15 15 15 15 15 15 15
Kerto dicho Chen int Total daily tumover III LIAE AM Officia LIAE Closing & Spot1 5515 3 milk 15 III MIGH GRADE C Cless char Oct 11670 -0 Note 11510 -0 Dec 114,60 -0 Jam 114 35 -0 Little 113 40 -0 Little 113 40 -0 Little 113 40 -0	202,591 41,003 at £/5 rate: 1.581: 5 rate: 1.5794 306 6 mms 1.5775 9 OPPER (COME)0 75 116,85 116,70 45 115,40 115,50 45 115,65 114,65 25 114,90 114,85 25 114,95 114,85	2507-8 3 3 mt/s,1.5737 Open set Vot	Dec Jun Feb Mar Apr Total E. G.As Nov Dec Jan Feb Mar	97000 48.10 49.00 49.95 50.65 50.60 50.00 6 On. IPE Sett price 150.50 153.00 153.00 154.25 154.25	Day's change -0.63 -0.74 -0.69 -0.49 -0.29 -0.29 -5.00 -4.50 -4.50 -4.50 -4.00	N 31 55 55 55 55 55 155 155 155 155 155 1
kerb close Open art Total daily tumover III LIAE AM Officia LIAE Closing & Spot1 5515 3 mps 15 III MIGH GRADE C Close char Oct 11670 -0 Noe 11510 -0 Dec 114,80 -0 Jam 114 35 -0 Little 113 40 -0 Little 113 40 -0	202,591 41,003 at £/5 rate: 1.581: 5 rate: 1.5794 306 6 mms 1.5775 9 OPPER (COME)0 75 116,85 116,70 45 115,40 115,50 45 115,65 114,65 25 114,90 114,85 25 114,95 114,85	2507-8 3 3 mt/s,1.5737 Open set Vot	Onc. Jun Feb Mar Apr Total B GAS Nov Dec Jun Feb Mar Apr	97000 48.10 49.00 49.95 50.65 50.60 50.00 6 On. IPE Sett prices 150.50 153.00 154.00 156.25	Day's change -0.63 -0.74 -0.69 -0.49 -0.29 (S/tonnel -5.00 -1.50 -1.50 -1.25	N 31 55 55 55 55 55 155 155 155 155 155 1
kerto dono Creen art Total dain; tumover LIME AM Officie LIME Closing & Spot 1 5515 3 mins 1 5 HIGH GRADE C Class Chair Oct 115 70 +0 Nov 115 10 +0 Doc 114.80 +0 Lim 113 50 +0 Riber 113 80	202,591 41,003 al £/5 rato: 1.581: 5 rato: 1.5794 500 6 mire: 1.5775 00PPER (COME)0 75 115,40 115,40 115,40 115,40 115,40 115,50 114,50 114,55 114,50 114,55 114,50	2507-8 3 3 mt/s,1.5737 Open set Vot	Dec Jun Feb Mar Apr Total E. G.As Nov Dec Jan Feb Mar	97000 48.10 49.00 49.95 50.65 50.60 50.00 6 On. IPE Sett price 150.50 153.00 153.00 154.25 154.25	Day's change -0.63 -0.74 -0.69 -0.49 -0.29 -0.29 -5.00 -4.50 -4.50 -4.50 -4.00	H 155 155 155 156
kerto dosso Open ant Total daily tumover LIME AM Officie LIME Closing & Spot 1 5515 3 mins 15 MINGH GRADE C Blan Oct 116 70 +0 Nov 115 10 -0 Docs 114 35 +0 Lim 113 80 +0 Ribin 113 80 +0 Rib	202,591 41,003 al £/5 rato: 1.5813 5 rato: 1.5794 306 6 mins 1.5775 00PPER (COME) 73 116,85 115,40 1	2507-8 3 3 mt/s,1.5737 Open set Vot	Onc. Jan Feb Mar Apr Total B GAS Nov Dec Jan Feb Risr Apr	97000 18.10 49.05 50.65 50.60 50.00 6 Ont. IPE Sett price 150.50 153.00 153.00 156.25 154.75	Day's change 0.63 -0.74 -0.69 -0.34 -0.29 (S/tonnel -5.00 -4.50 -4.50 -3.75	H 49 55 55 56 56 159 159 159 159 159 159 159 159 159 159
kerto dosso Open ant Total daily tumover LIME AM Officie LIME Closing & Spot 1 5515 3 mins 15 MINGH GRADE C Blan Oct 116 70 +0 Nov 115 10 -0 Docs 114 35 +0 Lim 113 80 +0 Ribin 113 80 +0 Rib	202,591 41,003 al £/5 rato: 1.5813 5 rato: 1.5794 306 6 mins 1.5775 00PPER (COME) 73 116,85 115,40 1	2507-8 3 3 mt/s,1.5737 Open set Vot	Onc. Jan Feb Mar Apr Total B GAS Nov Dec Jan Feb Risr Apr	98.10 49.00 49.95 50.65 50.60 50.00 6 Onl IPE Set price 150.50 153.00 154.25 154.75	Day's change 0.63 -0.749 -0.34 -0.29 (S/tonnel 5.00 -1.50 -1.25 -1.00 -3.75	H 49 55 55 56 56 159 159 159 159 159 159 159 159 159 159
ikerto diose Chen int Total daily tumover LIME AM Officie LIME Closing S/ Sport \$5.55 3 mins 15 MINGH GRADE C Plass char Oct 116.70 +0. Nor 115.10 +0. Jun 114.35 +0. Feb 113.80 +0. Total PRECIOUS LONDON BULLI	222,591 41,003 41 25 rato: 1.581: 5 reto: 1.575: 5 reto: 1.575: 500PPER (COMEX) 70 116.85 116.70 45 115.40 115.40 115.40 114.85 114.90 114.85 114.90 114.85 114.90 114.85 114.90 114.85 114.90 114.85 114.90 114.85 114.90 114.85	2507-8 3 3 mt/s,1.5737 Open set Vot	Onc. Jan Feb Mar Apr Total B GAS Nov Dec Jan Feb Risr Apr	97000 18.10 49.05 50.65 50.60 50.00 6 Ont. IPE Sett price 150.50 153.00 153.00 156.25 154.75	Day's change 0.63 -0.749 -0.34 -0.29 (S/tonnel 5.00 -1.50 -1.25 -1.00 -3.75	H 49 55 55 56 56 159 159 159 159 159 159 159 159 159 159
ikerto dose Chen int Total daily tumover LIME Closing S/ Sport 5515 3 mps 15 Might GRADE C Reso char Oct 115:70 -0. Nor 115:10 -0. Nor 115:10 -0. Jun 114:35 +0. Reb 113:80 +0. Total PRECIOUS LONDON BULLI (Prices supplied by	222,591 41,003 21 £75 rato: 1.581: 5 rato: 1.5794 306 6 mirrs 1.5775 300PPER (COMEX) 45 115.40 115.40 45 115.65 114.65 25 114.20 113.75 25 114.20 113.20 METALS RON MARKET N M Rothschild)	2507-8 3 3 mths.1.5737 Open ref Vol	Onc. Jan Feb Mar Apr Total B GAS Nov Dec Jan Feb Risr Apr	98.00 49.95 50.65 50.60 50.00 6 OIL IPE Sett price 150.50 153.00 156.25 154.75 IVRAL G.	Day's change 0.63 -0.749 -0.34 -0.29 (S/tonnel 5.00 -1.50 -1.25 -1.00 -3.75	H 1565 55 55 55 155 155 155 155 155 155 1
ikerto dosso Copen int Total daily tumover LIME AM Officie LIME Closing 5/ Sport 5515 3 mits 15 HIGH GRADE C Close disa Oct 116 70 +0. Nor 115 10 +0. Dec 114 80 +0. Jun 114 35 +0. Total PRECIOUS LONDON BULLI (Proces sumplied by Gold (Troy oc.)	222,591 41,003 al 2/5 rate: 1.581: \$ rate: 1.5794 306 6 minx1.5775 OPPER (COMEX) 73 116.85 116.70 45 115.40 115.4	2507-8 3 3 mt/s,1.5737 Open set Vot	Onc. Jun Feb Mar Apr Total Roy Dac Jan Feb Mar Apr Total	98.00 49.95 50.65 50.60 50.00 6 OIL IPE Sett price 150.50 153.00 154.75 154.75 154.75	Day's change 0.63 -0.74 -0.69 -0.48 -0.34 -0.29 (S/Ionnel 1.50 -4.25 -4.05 -4.25 -4.07 Day's change 1.50 -4.07 Day's change 1.	H 159 159 159 159 159 159 159 159 159 159
ikerto dosso Copen int Total daily tumover LIME AM Officie LIME Closing 5/ Sport 5515 3 mits 15 HIGH GRADE C Close disa Oct 116 70 +0. Nor 115 10 +0. Dec 114 80 +0. Jun 114 35 +0. Total PRECIOUS LONDON BULLI (Proces sumplied by Gold (Troy oc.)	222,591 41,003 al £75 rate: 1.581: \$ rate: 1.5794 300 6 minst.5775; OPPER (COMEX) 73 116.85 116.70 45 115.40 115.40 45 115.65 114.65 25 114.25 113.75 25 114.20 113.20 METALS NON MARKET N M Rominol	2507-8 3 3 mths.1.5737 Open ref Vol	One Jan Mar Total B GAS Apr Total B GAS Apr Total B Mar Total B Mar Apr Total B NAT	98.00 49.95 50.65 50.60 6 Off. IPE Set price 150.50 153.00 153.00 154.25 154.75 URAL G. Latest price 1.681	Day's change 0.63 1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60	H 159 5 5 5 5 5 1 159 159 159 159 159 159
ikerto diose Coren int Total daily tumover LIME Closing S/ Sport \$515 3 mins 15 MINGH GRADE C Place char Oct 115:70 -0. Nov 115:10 -0. Lime 113:35 -0. Rib 113:30 -0. Lime 113:40 -0. Total PRECIOUS LONDON BULLI (Prices supplied by Close Opening	222,591 41,003 41 25 rato: 1.581: 5 reto: 1.575: 6 reto: 1.575: 6 reto: 1.575: 6 reto: 1.575: 7	2507-8 3 Gmths,1,5737 Open vot Vot	Onc. John Har Fob Mar Apr Total B. GAS Nov Dec Jan Fob Mar Apr Total B. NAT	98.00 49.95 50.65 50.60 50.00 6 On IPE Sett price 150.50 154.25 154.75 IURIAL G	Day's change 0.63 - 0.74 - 0.74 - 0.74 - 0.74 - 0.23 - 0.2	H 156 55 55 55 1 156 155 156 157 157 157 157 157 157 157 157 157 157
ikerto diose Coren int Total daily tumover LIME Closing S/ Sport \$515 3 mins 15 MINGH GRADE C Place char Oct 115:70 -0. Nov 115:10 -0. Lime 113:35 -0. Rib 113:30 -0. Lime 113:40 -0. Total PRECIOUS LONDON BULLI (Prices supplied by Close Opening	222,591 41,003 al £75 rate: 1.581: \$ rate: 1.5794 300 6 minst.5775; OPPER (COMEX) 73 116.85 116.70 45 115.40 115.40 45 115.65 114.65 25 114.25 113.75 25 114.20 113.20 METALS NON MARKET N M Rominol	2507-8 3 3 mths.1.5737 Open ref Vol	Dec. Jon Feb Mar Apr Total Ray Dec Jan Feb Mar Apr Total NAT	98.00 49.95 50.65 50.60 50.00 Soft Price 150.50 152.00 154.75 154.75 154.75 15881 1 9905 1 9905	Day's change 0.631 4.069 0.449 0.34 -0.23 (Sronnel 1.500 4.50 4.50 4.50 4.50 4.50 4.000 7.5 (Change 1.000 7.50 4.50 4.000 7.50 4.000 7.50 4.000 7.50 4.50 4.000 7.50 4.50 4.50 4.50 4.50 4.50 4.50 4.50 4	H 35 5 5 5 5 5 1 H 156 155 156 157 157 157 157 157 157 157 157 157 157
North Close PRECIOUS PRECIOUS LONDON BULL (Proces supplied by Gold (Troy oc.) Close Close Dec 113.80 -0. Total PRECIOUS LONDON BULL (Proces supplied by Gold (Troy oc.) Close Opening Alternacy in	222,591 41,003 41 25 rato: 1.581: 5 reto: 1.575: 6 reto: 1.575: 6 reto: 1.575: 6 reto: 1.575: 7	2507-8 3 Gmths,1,5737 Open vot Vot	One Jan Roy One Jan NAT	98.00 49.95 50.65 50.60 6 Off. IPE Sett price 150.50 153.00 153.00 154.75 166.25 164.75 1.881 1.990 2.085 2.085	Day's change 0.63 4.74 4.069 40.49 40.29 (S/tonnel-1-4.50 4.50 4.50 4.50 4.50 4.50 4.50 4.50	H 15:55 5 5 5 1 H 15:15:15:15:15:15:15:15:15:15:15:15:15:1
North closes Open ant Total daily turnover LIME Closing 2/ Spot 15515 3 mbs 15 HIGH GRADE C Close class Oct 116.70 +0. Nor 115.10 -6 Dec 114.20 +0. Jan 113.35 +0. Mar 113.40 +0. Total PRECIOUS LONDON BULLU (Prices supplied by Gold (Troy oc.) Close Opening Morning for Afternoon In.	222,591 41,003 al £/5 rate: 1.581: 5 rate: 1.5784 306 6 minx1.5775 OPPER (COMEX) 73 116,85 116,70 45 115,40 115,40 45 115,65 114,65 114 35 114,55 114 35 114,75 25 114,20 113,7	2507-8 3 3 3 9 mths,1,5737 Opon set Vol	Onc. Jan Har Apr Total GAI Nov Dec Jan Feb Mar Apr Total NAT House Bec Jan	#8.10 49.00 49.95 50.60 50.00 6 On IPE price 150.50 154.25 154.75 IURIAL G. Latest price 1.890 2.095 4 2.005 5	Day's change 4.653 4.74 4.69 4.048 4.023 6.74 4.50 4.50 4.50 4.50 6.375	H 15:55 5 5 5 1 H 15:55
Nerb class Open ant Total daily turnover LME Closing 2/ Spot 1 5515 3 mbs 1 5 HIGH GRADE C Close class Oct. 116 70 +0. How 115 10 +0. How 115 10 +0. Jan 114 25 +0. Jan 113 50 +0. Total PRECIOUS LONDON BULLI (Prices supplied by Close Opening Morning for Aftermoon (IA Day's High	222,591 41,003 21 £75 rate: 1.581: \$5 rate: 1.5794 2306 6 minx1,5775 25 PPPER (COMEX) 45 115.40 45 115.40 45 115.40 115.45 115.40 115.45 115.40 115.4	2507-8 3 3 3 9 mths,1,5737 Opon set Vol	Onc. Jun Feb Mar Fob Mar Fob Mar Fob Mar Fob Mar Apr Total Mar Apr	98.00 49.95 50.65 50.60 6 Off. IPE Sett price 150.50 153.00 153.00 154.75 166.25 164.75 1.881 1.990 2.085 2.085	Day's change 4.653 4.74 4.69 4.048 4.023 6.74 4.50 4.50 4.50 4.50 6.375	H 15:55 5 5 5 1 H 15:15:15:15:15:15:15:15:15:15:15:15:15:1
North close Open ant Total daily turnover ULME Closing 2/ Spot 1 5515 3 mbs 1 5 H HIGH GRADE C Day Char 1 16 70 +0. Nov 115 10 +0. Dec 112.80 +0. Lam 114 35 +0. Feb 113 80 +0.	222,591 41,003 41 25 rato: 1.581: 5 reto: 1.575: 6 reto: 1.575: 6 reto: 1.575: 6 reto: 1.575: 7	2507-8 3 3 3 9 mths,1,5737 Opon set Vol	Onc. Jan Har Apr Total GAI Nov Dec Jan Feb Mar Apr Total NAT House Bec Jan	#8.10 49.00 49.95 50.60 50.00 6 On IPE price 150.50 154.25 154.75 IURIAL G. Latest price 1.890 2.095 4 2.005 5	Day's change 4.653 4.74 4.69 4.048 4.023 6.74 4.50 4.50 4.50 4.50 6.375	H 15:55 5 5 5 1 H 15:55

Silver Fla Spot

3 months

112

Frugerrand Maple Leaf

348.25 363.45

372.00

S price 391-394

399.10-401.60

550.75 558.60

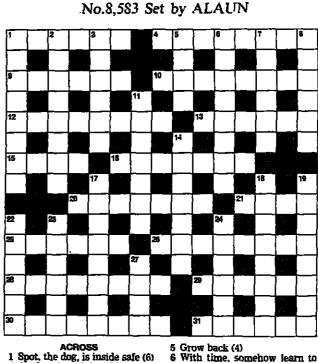
566.55 584,45

E equiv. 247-250

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	Sett	Day's	, 1107	22, 00	Opea			Sett	Day's	DE STOL		Opes	
		change	High	ion	int	Vol			change	Hilgh	Long	int	Yol
Oct Nov	388,0 389,1	+0.4 +0.4	388.0	398.0	158	152	Hov Jan	103,45 105,25		103,50 105,55		1,840 1,962	58 332
Dac	391,6	+0,4	391.1	390.6	- 106,658	64,321	iler	107.35		107.70		1,436	82
Feb	394.0	+0.4 +0.4	394.4		20,007	2,168	May Jed	109.55		109.40		1,398	99
Apr Jen	397.5 401.0	+0,4	398.0 401.6	397.3 400.9	7,194 10,351	354 143	Sep	111.20 95.25	-11.45	111.65	111125	264 15	1
Total					WA	N/A	Total					6,937	651
■ PLA	MUNIT	NYME	(50 Tr	oy oz;	\$/troy	_		EAT CB	(5,000	bu min			ushel)
Oct Jan	415.8 419.3	+0.4 -0.3	418.0 422.5	418.0	236 19,300	36 2,480	Dec; Ma r	408/0 416/6	-8/2 -8/2	418/6 426/5		47.151 22.211	11,977 4,479
Apr	423.7	-0.3	425.0	422.5	3,150	21	May	388/2	-7/0	397/4	388/0	3,273	548
Jul Oct	426.6 429.3	-0.3 -0.3	428.0	426.0	518 338	8 1	Jul Seo	353/4 359/4	-4/2 -2/0	358/2 361/0	353/0 359/2	7,936 195	1,275 43
Jan	432.3	-0.3	-	-	337		Dec	368/0	-2/0	388/0	367/0	123	11
Total			n		23,541	2,548	Total					80,895	
	LADIUN		א נועט	Iroy o	_	y 02.)		ZE CBT					
Oct Dec	151.10 152.10	-0.25 -0.25	153.50	151.50	21 4,739	532	Der; War	215/0 225/4	+1/2	216/0 226/2		129,715 50,049	16,595 3,177
Mar	153,10	-0.25	154.00	153.76	1,404	9	May	233/0	+1/6	233/6		21,743	1,146
Jun Total	154.20	-0.25	•	•	152 6,316	541	Jed See	238/4 243/2	+1/5	239/2 243/6	242/0	24,799 1,845	1,779 64
M SILY	MER CO	MEX (10	00 Tray	oz.; Ce		-	Dec	248/6	+1/2	249/2	247/2	9,690	996
Oct	547.4	-1.2			-	•	Total	RLEY LC	E (2 pa	r timenel		238,239	43,054
Hov Dec	549.1 551.5	·1.5 -1.5	555.0	551.0	:	:	New	102.00		101.75		412	10
Jan	554.1	-1.5	557.5	555.0		-	Jan	104.50	+0.50	-		398	
Mar May	560.1 585.4	-1.5 -1.5	564.0 569.0	560.0 568.5	:	:	Mar May	106.50 106.50	:	:	:	128 46	:
Tatal					N/A	N/A	Sep	85.00	-	-	-	2	-
							May Total	97.00	•	•	•	984	70
FNF	RGY						■ S0	YABEAN	S C8T (5	.000bu 1	nint; cent	s/60 ib b	
	JDE OIL	NYME	X (42,0	00 US :	als \$	(barrel)	Hipe	536/6	+4/4	538/2		73,916	
	Latest	Day's			Open		Jan Mar	547/8 557/4	+4/2	548/4 558/0		27,922 17,991	3,782 2,567
	price	change		Total.	int	Vol	May	565/2	+3/6	566/4	558/4	8,200	1,453
Micro Dec	17.60 17.71	-0.10 -0.08	17.85 17.97		65,824 86,715		.kgi Ams	572/0 574/4	+4/2	573/4 575/4	586/4 571/0	14,799 579	2.201 173
Jan	17.79	-0.07	17.58	17.68	56.310	11,723	Total	-	-		1	49,222	31,430
Feb Mar	17.79 17.80	-0.05 -0.05	17.95 17.93		24,766 23,423	2.967 2,118		YABEAN				cents/ft	<u></u>
Apr	17.79	-0 09	17.91	17.74	15,613	1,961	Oct Dec	25.67 24.18	+0.34 +0.23	25.72 24.29	25.33	6.158 37.071	3,232 9,849
Total	JDE OIL	IDE (6)	n		426,719	127,385	Jan	23.69	+0.21	23.80	23.45	11,170	1,879
- One		Day's	ratial		Open		Mar May	23,41 23,24	+0.16 +0.16	23.52 23.35	23.76 23.10	12,495 9,250	2.972 1.418
	price	Epsude not a	High	Low	int	Vol	3mi	23.07	+0.15	23.23	22.95	6,488	1,267
Nov Dec	16.28 16.32	-0.16 -0.17	16 61 16 65		59,781 68,497		Total Bi SO	YABEAN	MEAL	CBT (1	DC tons	86,907 : SAcot	-
Jan	18.34	-0.20	16.64	16.33	23,261	2,895	Oct .	162.5	+1.1	163.3	161.2	3,160	1,865
Feb Mar	16.35 16.38	-0.17 -0.12	16.63 16.59	16,35 16,35	18,417 8,543	515 270	Dec	162.9	+1.3	163.7	161 4	45.993	8,810
Apr	16 58	+0.08	16.58	16 58	3.353	200	Jan Har	164.4 167.4	+1.5 +1.5	154.9 157.9	165.7	15,337 12,077	1,440 1,778
Total	TING O	U MARIE	~			51,830	Stay Jul	169.6 172.6	+1.3 +1.4	170.7 173.8	169.2 171.6	7,411 6,473	718
		Day's	A (-2,00	W 00 ga	Open	gass.j	Total			1130	171.0		1.507 18,643
		cyande	Nigh	Low	jest chan	Vol	POT	<u> TATOES</u>	LCE IE	tonne)			
Nov Dec	48.10	0.63	49,15 60.15		30,471		Nov Mar	150.0 105.0	•	:	-	-	-
Jen Jen	49.00 49.95	-0.74 -0.69	50.15 51.05	49,65	43.279 31.193	4,324	Арг	223.5	+4.5	226.0	220.5	1,275	118
Feb Mar	50.65 50.60	0.49	51.10 50.95		16,632 11,272	729 1,743	May Jun	240 0 107.5	:	:	:	:	-
Apr	50.00	0.29	50 30		4,896	508	Potal	107.2				1,275	118
Total		_		ı	165,801	35,067	₹ FRE	EGHT (BI	HFEX]	LGE (\$1	@/index	point	
GAS	OIL IPE	-	1				Qet Base	1832	+13	1840	1820	535	23
	Sett price	change 2 eyye	High	Ltons	Open int	Yot	Nov Dec	1800 1789	+12 +14	1830 1805	1790 1790	330 164	102 37
Nov	150.50	_	-	150,50		5.033	, <u>1200</u>	1735 1700	-4 -19	1765 1740	1735 1700	1,068 741	86 93
Dec	153.00			152,75			Apr Jul	1450	-45	1740	1700	139	33
Jan Feb	155.00 156.25			155 00 156,25		5,455 1, 27 7	Total	Clase	Prev			2,992	341
Mar	158.25			156.00 154.75		172	병위	1728	1788				
Apr Total	154.75	-3.75	134./5	154.75	6,234 1 5,263	456 24,826							
	ŲRIAL G	AS NYN	1EX (10.1		-	•							
	Latest				Open								
		change 00, 5	High	Low	İni	Yel							
Nov		+0.019	1 705		27.008		1						
Dec Jan		+0.010 +0.009	2015 2115		28,440 17,521	4.370 1,568	Cette	On .					- }
Feb	2 055	+0.014	2.065	2,045	14.497	1.740	1						}
Ador Ador		+0.019 +0.014	2,820 1,975		11.782 7.112	1,182 499	LIVE	RPQQL-	Sco	and	shipn	ient a	sales
Total					90,863		amou	anted to the	185 ton net 35/	mes for L torv≃	unewa es∥n t	real cond he com	MOUS
	EADED	GASO	LINE					Subdu					

SOF	'15 XOALCE	iE/tonr	38)					AL AI ECATTI				
	Sett	Day's			Орея		==:	Şeti	Day's			Ореп
Dec	price (ibaogr -2	H igh 939		4st 24.581	¥04 622	Oct	_	_	Mgh men	Low 87,500	jat 7 987
Mar	970	-4	974	962	40,615	1.265	Dec	68.975	+0.300	69.250	68.725	25,959
May Jei	982 995	-5 -4			13,097 6,085		Feb Apr	67.925 68.075	-0.100	68.350 BB.475	67.825 68.050	16,566 11,128
Sep Dec	1008 1027	-2 -1			10,292	45	Jan Aug			65.000 64.200		3,051 1,254
Total	1027	٠,	11120		107, 8 16		Total	53.300	-0.150	04.200	03.300	67,120
_	XOA CSC	_						E HOGS				-
Dec Mar	1270 1322	+11 +11	1275 1325		33,041 29,540		Oct Dec			34,750 35,900	33.675 34.750	1,679 16,798
Hay	1350	+11	1350	1335	7,828	334	Feb	35.750	-0 500	37.650	36.750	8,501
Jel Sep	1379 1408	+9 +8	1373 1399		2,893 1,295		Apr Jist			37.B00 43.250		3,416 1,805
Dac Total	1434	+8	1431	1431	4,959 74,386		Ang Total	42,300	+D.175	42.375	42.060	270 30,874
	OA (ICC	O) (SD)	R's/lonr	ne)				RK BELL	JES CA	4E (40,6	100 i bs;	
Oct 11	-		Price		Prew.		Feb	39,150				8,042
Delly			_ 967.27		30	4 87	Mar May	40.450	-7.200	40.700 42.500	40.350	836 255
COF	FEE LCE	(S/toni	ne)				Jed Aust			42.500 40.500		246 56
Nov Jen	3563 3523	+4 -10	3815 3575		9,298 13,953		Total					9,437
Har	3453	-6	3490	3430	8,226	851						
May Jul	3425 3405	-3 +17	3480 3450	3420 3395	2,729 1,306	8	LON	IDON	TR	ADF	ם מ	РПО
Sep Total	3385	+5	3445	3405	1,338 36,852			price \$				
	FEE 'C' (CSCE (37,500	bs; cen				IMPUM	ľ	R	h #	D
Dec	190.90						1625) LME		. Dec 68	Mar 99	Dec 35
Mar May	195,40 197,70	+5.80	197.50	191.25	4,181	283	1650			. 55	88 74	47 60
Jed Sep	199.00 199.60		198.80 198.50	194.00	1,378 796	126 26	■ C0	PPER				
Dec Total	200.10				871	77		A) LME		Dec . 80	Mar 106	Dec 69
	FEE (ICC)) (US c	ents/po	rund)	33,545	11,429	2550			57	85	96
Oct 11			Price		Prev.			FFEE LC		. 39 Nov	87 Jen	128 Nov
zomp. da 15 day at	Warage		. 178 37 . 197.89	,	174 196	1.82 9.87	3600		-II PIES	- 66 - 44	223 206	103 135
	PREMIL						3700			. 35	190	172
lan Aar	11.82 12.54	-0 04	_ :	-	80	•		COA LCE		Dec	Mar 84	Dec 23
Way	12.64	-0.14	:	- :	450	-	950	~~~		. 23	70	37
kui Totaš	12.58	+0.31	-	-	- \$40	:		INT CRU			58 Dec	53 Nov
₩H	TE SUGA			_			1650			. 1	45	4
Dec Har	329.90 328.10					79 670	1750	.,		. 3	28 14	:
هـــ لوو وه		+3.70	328.00	324.00	1,714	108 166	1 (1)	IDON	200	OT N	/AD	KETC
let	311.50	+3.00	327.50	-	271	100		IDE OIT				+
etai etai	318.40	+3.00	-	•	4 16.082	1,023	Dubai			_	5,19-5.2	
	AR 41' C	_			_			Stend (da Stend (No		\$16	8.13-6.1 3.31-6.3	5 -0
lar lay	12.37 12.44				63,343 : 17,294		W.T.I. (ilpm est	1	\$17	7.58-7.6	Ot -0
	12.35	+0.21	12.35		11,978 9,585			PRODUC				
l ar	71.75	+0.17		11.63	1,424	93	Premiu Gas Os	m Gesoli T	ne		172-175 154-155	
ley otal	11.75	+0.17	-	1	9 23,6183	38,783	Heavy	Fuel Cil			91-94	
	TON NYC	Æ (50.0	000tbs;				Nachth Jet fue			\$	167-168 174-175	
ec		+0.29			28,766		Diesel Petroleu	m Argus, T	ial Law	\$	157-158	
på ja	70.40 71.33		70.50 71.50	71.15	12,367 6,559	1,808 402	E OTH	-		(see 6)	, 4/	
ed ect	72.05 89.30	+0.05	72,40 69,30		3,967 538	291 25	Gold (c	er broy o			386.40	+0
8 C	68.78		68.95	68.60	1,946	324	Silver (per troy o	32) 🛱		61.50c 417.10	+1
istei E CRAI	NGE JUN	CE NY	CE 1151		52,256 1 cents/i		Palledu	nu (bet p	ray 02.)) S	152.40	+2
84 22 - 23	82.35		94,40					(US pro JS prod.)			121.0c 39.15c	-1
3 11	96.35	-0.90	98.50	94.30	6,778	1,079	Tin (Ku	ala Lump			13.50c	-0
lar lay	106. <u>20</u> 104.10		101.75 1 05.50		4,895 1,192	401 94	-	w York)	LIL.		248.5c	+1
ui 💮	105.90	-0.55	108.90	106.90	625	25		live weig (Itve weig			15,49p 90,35p	+0.
Sep Cotal	109.90	-0.30	109.90		297 20,390 1	1 12,248	Pigs (th	re weight	1	7	75.94p	+0.
-						•		ny sugar Ny sugar		-	\$302.1 \$334.6	-2
							Tate &	Lyfe exp	art		2303.0	4
	ME DAT			 -]		(Eng. lee US No3			Unq. 132.0y	
	Interest cts back						Wheat	US Dark			Unq.	
NYCE	. CME, C							(Nov)♥			94.50p	-0. -0
cesh fu	arreurs.							(Dec)♥ [KLRSS	Not Ju		358.0	0.
	_							n Oli (Ph			605.0u	•
NDI	CES						Copra (73	Š	692.5t 394.Qu	+
REVI	ERS (82							ens (US) Outlook!/	a' indo		155.0v 73.60c	
Oct 1 2043		et 11 036.5		thago 124	year 158			ps (64s 8			434p	
	.a z Futures (£ per ton	ine unless	conservis	a stated.	o pene	yleg. C co
Oct 1		ct 10			year	8g0	r draggit/i	qg. en Meda t Nov. Y	gwidh co	makg, y	Oct/De	s. v Nowl

price	change	High	Low	upea lut	You		bujes		High	Low	upon Jet	Val
936				24,581		Oct				67.500		
970 982		974 985	976	40,615 13,097	230	Dec Feb	67.925	+0.300	68.350	68.725 67.825	16,586	2,68
995 1008	-	1000 1008		6,085 10,292		Apr Jan	68.075	-0.100	681.475	68.050 64 650	11,128	1,35
1027		1026		8.230		Aug				63.900	1,254	13
	·			107,816	2,430	Total	E HAGE	MIT !	40 0000	La	67,120	21,57
COA CS							E HOGS				_	- 04
1270 1322		1275 1325		33,041 29,540		Oct Dec				33.675 34.750		840 1,88
1350		1350		7,828		Feb				36.750		879 300
1379 1408	+9 +8	1373 1399	13/3	2,893 1,295	118 16	Apr Jist				37.150 42.650		31E
1434	+8	1431	7431	4,959 74,396		Ang Total	42,300	+0.175	42.375	42.060	270 30,674	3,940
COA (ICC	(SD)	R's/lone	ne)	14000	اعتب		RK BELL	JES CA	4E (40,6	300 i bs;	-	
		Price		Prew.		Feb				39.075		909
		<u>. 967.27</u>	7	96	4 87	Mar May	39,125 40,450			39.050 40.350	836 255	35 17
FFEE LC	(S/toni	Ne)		_		Jul	41,150	-1.150	42,500	40.950	246	5
3563	-4			9,298		Aug Total	40300	-1.590	40.500	39.900	56 9,437	971
3523 3453	-10 -6			13,953 8,226	1,690 851							
3425	-3			2,729	69	1.0	IDON		ADE	D A		
3405 3385	+17 +5	3450 3445	3395 3405	1,306 1,338	g 65		NDON Price \$					
ca		~= ~~~		36,852	4,058		PROS 4 IMPRIUN					- E
FFEE 'C'			184.25	_	7 107	(99.7%) LME		Dec	Mar	Dec	War
195,40	+6.70	196.00	189.00		3,430	1625 1650			68 . 55	99 86	35 47	59 71
	+5.80 +6.05			4,101 1,378	283 126	1675			. 43	74	60	83
199.60	+5.85	198,50	195.00	796	26	■ CO	PPER A) LME		Dec	Mar	Dec	Mar
200.10	+5.60	199.00	195.50	871 33,545	77 11,429	2500			. 80	106	69	110
PREE (ICX) (US c	ents/po				2550 2600			. 57 . 39	85 87	96 128	138 169
daily		Price		Prev.		E CO	FFEE LC	E	Nov		Nov	Jan
zvarage		. 178 37 . 197.89		174 196		3600 3650			_ 66 48	223 206	103 135	300 333
PREMIR	M RAV	A SINGN	R LCE	(cents/	lbs)	3700			. 35	190	172	367
11.82 12.54	-0 0 4	:		90	-		COA LCE		Dec	Mar 84	Dec 23	Mar 39
12.64	-0.14	-			-	950			. 23	70	37	50
12.58	+0.31	-	•	- \$40	-		ENT CRU			58 Dec	53 Nov	63 Dec
TTE SUG/	UR LCE	(S/tonn	le)			1650 .,			. 1	45	4	60
329.90	+3.90 +4.00	330.00	325.50	3,810	79	1700 -	.,,,,,,,,,,,		. 3	28 14	:	92 127
327.60	+3.70	328.00	324.00	7,714	670 108		IDON I	00			· - -	_
327.60	+3.70 +3.60	328.00	324.00 323.50	7,714		LON	IDON		OT N			_
327.60 327.60	+3.70 +3.60 +3.00	328.00	324.00 323.50	1,714 2,001 271 4	108 166	LON	IDON		OT N	t/Nov)		or-
327.60 327.00 311.50	+3.70 +3.60 +3.00 +3.00	328.00 327.50 -	324.00 323.50 -	1,714 2,001 271 4 16,082	108 166	LON E CRI	JDE OIL Blend (da	FOB (p	OT N er barre \$15	M/Nov) 5,19-5.2 8,13-6.1	41 -	0.25 0.27
327.60 327.60 311.50 316.40 GAR '11' (+3.70 +3.60 +3.00 +3.00 CSCE (1	328.00 327.50 12,000	324.00 323.50 	1,714 2,001 271 4 16,082 (ts/lbs)	108 166 : 1,023	LON E CRR Dubai Brent E Brent E	JDE OIL Blend (da Blend (No	FOB (p ted)	OT N er barre \$15 \$16	M/Nov) 5,19-5.2 8.13-6.1 5.31-6.3	4t - 5 - 3t -	0.25 0.27 0.26
327.60 327.00 311.50 310.40 GAR '11' (12.37 12.44	+3.70 +3.60 +3.00 +3.00 +3.00 CSCE (1 -0.22 +0.23	328.00 327.50 12,000 12,38 12,45	324.00 323.50 - - - - - - - - - - - - - - - - - - -	7,714 2,001 271 4 16,082 (ts/lbs) 83,343 3 17,294	108 166 1,023 1,023	LON E CRI Dubai Brent E Brent E W.T.I.	JDE OIL Blend (da	FOB (p	OT N er barre \$16 \$16 \$17	1/Nov) 5,19-5.2 8.13-6.1 5.31-6.3 7.58-7.6	4t - 5 - 3t -	0.25 0.21 0.25 0.29
327.60 327.00 311.50 318.40 9AR '11' (12.37 12.44 12.35 12.08	+3.70 +3.60 +3.00 +3.00 *8CE (1 +0.22 +0.23 +0.21 +0.18	328.00 327.50 	324.00 323.50 - - 12.21 12.27 12.18 11.98	1,714 2,001 271 4 16,082 (ts/lbs) 83,343 3 17,294 11,978 9,585	108 156 1,023 1,023 13,470 3,320 2,387 493	LON E CRR Dubai Brent E Brent E W.T.I.	Slend (da Slend (No 11 pm est	FOB (p ted) pv) CTS NV	ST N er barre \$15 \$16 \$17 Eprom	1/Nov) 5,19-5.2 8.13-6.1 5.31-6.3 7.58-7.6	40	0.25 0.21 0.25 0.29
327.60 327.00 311.50 318.40 12.37 12.44 12.35 12.08 11.75	+3.70 +3.60 +3.00 +3.00 *8CE (1 +0.22 +0.23 +0.21 +0.18	328.00 327.50 	324.00 323.50 - 12.21 12.27 12.18 11.98 11.63	1,714 2,001 271 4 16,082 109/lbs) 83,3433 17,294 11,978 9,585 1,424	108 156 1,023 1,023 13,470 3,320 2,367 453 89	LON E CRR Dubai Brent E Brent E W.T.I. (E OIL Premiu Gas Ci	Blend (da Blend (No 11 pm est PRODUC m Gasoli	FOB (p ted) PV) CTS NW	OT Ner barre \$15 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	5,19-5.2 8.13-6.1 5.31-6.3 7.58-7.6 pt defive 172-175	4t - 5 - 3t - 0t - ry CIF (0.25 0.21 0.25 0.26 0.29 torine)
327.50 327.00 311.50 318.40 12.37 12.44 12.35 12.08 21.75	+3.70 +3.60 +3.00 +3.00 +3.00 -6.22 +6.23 +0.21 +0.18 +0.17 +0.17	12,000 12,000 12,38 12,45 12,35 12,08 11,75	324.00 323.50 - 12.21 12.27 12.18 11.98 11.63	1,714 2,001 271 4 16,882 tes/fbs) 83,343 3 17,294 11,978 9,585 1,424 9	108 156 1,023 1,023 13,470 3,320 2,367 453 89	LON CRE CRE Brent E Brent E W.T.I. Fremiu Gas Oi Heavy Naphth	Blend (da Blend (No 11 pm est PRODUM m Gasoli Fuel Cil Ia	FOB (p ted) PV) CTS NW	OT N er barre \$16 \$16 \$17 FEpronq \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	5.19-5.2 8.13-6.1 8.31-6.3 7.58-7.6 pt delive 172-175 154-155 801-94 167-166	44 5 33t 60t -	0.25 0.21 0.25 0.26 0.29 torine)
327.80 327.80 311.50 318.40 12.37 12.44 12.35 12.08 71.75 11.75	+3.70 +3.60 +3.00 +3.00 +3.00 +3.22 +0.23 +0.21 +0.18 +0.17 +0.17 CE (50.0	328.00 327.50 - 12,000 12.38 12.45 12.35 12.08 11.75	324.00 323.50 12.21 12.27 12.18 11.98 11.63	1,714 2,001 271 4 16,882 16,982 17,284 11,978 9,585 1,424 9	108 196 1,023 1,023 13,470 3,320 2,367 493 93	LON CRE CRE Brent E Rent E	Blend (da Blend (No 11 pm est PRODUM m Gasoli Fuel Cil Ia	FOB (p ted) PV) CTS NW	OT Ner barrer \$18 \$16 \$17 Feprom	st/Nov) 5,19-5,2 8,13-6,1 3,31-6,3 7,58-7,6 pt delive 172-175 154-155 \$91-94 167-166 174-175	4t - 5 - 3t - 60t - 7y CIF (0.25 0.21 0.26 0.29 torune) -1 -5
327.50 327.00 311.50 318.40 12.37 12.44 12.35 12.08 21.75	+3.70 +3.60 +3.00 +3.00 +3.00 -6.22 +6.23 +0.21 +0.18 +0.17 +0.17	12,000 12,000 12,38 12,45 12,35 12,08 11,75	324.00 323.50 - 12.21 12.27 12.18 11.98 11.63 11.63	1,714 2,001 271 4 16,882 tes/fbs) 83,343 3 17,294 11,978 9,585 1,424 9	108 166 1,023 1,023 13,470 3,320 2,387 493 93 8,783	LON CRE Dubai Brent E Brent E W.T.I. Gas Oi Heavy Naphth Jet fue Diesel Petroleu	Blend (da Blend (Na Blend (Na FroDut Free Cil Blend Cil	FOB (p ted) (N) CTS NW	OT N er barre \$16 \$17 \$17 Fepronq \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	5,19-5,2 8,13-6,1 3,31-6,3 7,58-7,6 pt define 172-175 154-155 \$91-94 167-168 174-175 157-158	4t - 5 - 3t - 0t - 10t -	0.25 0.21 0.26 0.29 torune) -1 -5
327.60 327.60 311.50 318.40 12.37 12.44 12.35 12.05 11.75 7TON NYO 68.79 70.40 71.33	+3.70 +3.60 +3.00 +3.00 -3.22 +0.23 +0.18 +0.17 +0.17 +0.17 +0.17 +0.23 +0.21 +0.17 +0.17	328.00 327.50 - 12,000 12.38 12.45 12.08 11.75 - 000bs: 68.94 70.50 71.50	324.00 323.50 12.21 12.27 12.18 11.98 11.63 11.63 68.35 70.00 71.15	1,714 2,001 271 4 16,682 163/156) 83,343 3 17,294 11,978 9,585 1,424 9 23,618 3 25) 26,766 12,367 6,559	108 156 1,023 1,023 13,470 3,320 2,387 493 83 8,141 1,808 402	LON Brent E Brent E W.T.L. (B OIL Premiu Gas Oi Heavy Naphily Jet fue Diesel	Blend (da Blend (Na Blend (Na FroDut Free Cil Blend Cil	FOB (p ted) (N) CTS NW	OT N er barre \$16 \$17 \$17 Fepronq \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	5,19-5,2 8,13-6,1 3,31-6,3 7,58-7,6 pt define 172-175 154-155 \$91-94 167-168 174-175 157-158	4t - 5 - 3t - 0t - 10t -	0.25 0.21 0.26 0.29 torune) -1 -5
327.60 327.50 311.50 318.40 9AR '11' (12.37 12.44 12.35 12.08 71.75 11.75 77.0N NYO 68.79 70.40 71.33 72.05 68.30	+370 +360 +300 +300 +322 +023 +021 +0.17 +0.17 +0.17 +0.19 +0.19 +0.05 +0.05	12,000 12,35 12,45 12,45 12,45 12,08 11,75 12,08 11,75 70,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50	324.00 323.50 12.21 12.27 12.18 11.63 11.63 11.63 68.35 70.00 69.25	1,714 2,001 27,001 4 16,882 183,343 17,284 11,978 9,585 1,424 9 22,6183 28,766 12,357 6,559 3,967 538	1,023 1,03 1,03 1,03 1,03 1,03 1,03 1,03 1,0	LON GRE Dubai Brent i Brent i W.T.I. (Gas Ci Heavy Naphth Jet fue Petroleu Gold (Gold (Gold (Gold ()	Blend (da Blend (No Tipm est) PRODUM m Gasoli Fuel Cil la (FOB (poted) (p	STEPPORT	5/Nov) 5,19-5-2 8,13-6-1 5,31-6-3 7,58-7-8 pt defive 172-175 154-155 891-94 167-168 174-175 157-158 9 359 87	441 - 5 - 331 - 301 - 31 - 31 - 31 - 31 - 31 -	0.25 0.21 0.25 0.29 0.29 corune) -1 -5
327.60 327.60 311.50 310.40 12.37 12.44 12.35 12.08 71.75 77.00 NYO 68.79 70.40 71.43 71.43 71.43	+370 +360 +300 +300 +322 +023 +021 +0.17 +0.17 +0.17 +0.19 +	12,000 12,35 12,45 12,45 12,45 12,08 11,75 12,08 11,75 70,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50 71,50	324.00 323.50 12.21 12.27 12.18 11.63 11.63 11.63 68.35 70.00 68.25 68.60	1,714 2,001 4 16,882 183/10s) 83,343 17,294 11,978 9,585 1,424 23,6183 26,766 12,387 6,559 3,967 538 1,946	1,023 1,023 1,023 1,023 2,367 493 8,763 8,141 1,008 402 291 25 324	LON CRE Dubal Brent E Brent E W.T.L. Coll Premiu Gas Oi Heavy Naphth Jet fue Diesel Coll Silver (Silver (Blend (da Blend (No Blend (No Fipm est) PRODUK m Gasoli Fuel Cil la (FOB (p ted) N CTS NW ne Tel. Lanc	STE Promi	1/Nov) 5, 19-5, 2 8, 13-6, 1 7, 58-7, 6 91 define 172-175 154-155 301-94 154-155 174-175 157-158 1 359 87	441 - 5 - 311 - 31	0.25 0.21 0.25 0.29 (orune) -1 -5
327.60 327.50 311.50 318.40 9AR '11' (12.37 12.44 12.35 12.08 71.75 11.75 77.0N NYO 68.79 70.40 71.33 72.05 68.30	+370 +370 +300 +300 +300 +322 +021 +0.18 +0.17 +0.17 +0.17 +0.17 +0.19 +0.05 +0.05 +0.05	328.00 327.50 112,000 12.38 12.45 12.35 12.08 11.75 68.94 70.50 71.50 72.40 68.95	324.00 323.50 12.21 12.27 12.18 11.98 11.63 11.63 70.00 71.15 72.00 69.25 68.60	1,714 2,001 271 4 16,082 11,978 9,585 1,424 9,585 1,424 12,8183 28,766 12,367 6,559 3,967 53,818 1,946 52,258 1	108 196 1,023 1,023 2,367 493 8,763 8,763 8,141 1,808 402 291 25 324 0,991	LON CRR Dubal Brent E Brent E W.T.I. (B OIL Premiu Gas Oil Heavy Naphth Jet the Diese Oil Gold (Gold (Gold (Gold (Gold (Gold (College) Pathulus Path	Blend (da Blend (No Blend (No I) pri est; PRODUI m Gasoli f Fuel Cil a (m Argus, SER per troy (per tro) (pe	FOB (potential) ted) py ted) trial Land trial Land trial	ST ST ST ST ST ST ST ST	57.19-5.2 8.13-6.1 8.13-6.1 8.13-6.3 7.58-7.6 pt define 172-175 154-155 301-94 157-158 137-158 1388.40 61.50c 417.10	41 - 5 - 31 - 31 - 31 - 31 - 31 - 31 - 31	0.25 0.25 0.29 0.28 0.29 conne) -1 -5 -3 -5 -5 0.15 1.00 2.80 2.15
327.60 327.60 311.50 310.40 12.37 12.44 12.38 11.75 11.75 11.75 70.40 71.33 71.95 88.79 70.40 71.33 71.95 88.79	+370 +370 +300 +300 +300 +322 +021 +0.18 +0.17 +0.17 +0.17 +0.17 +0.19 +0.05 +0.05 +0.05	328.00 327.50 12,000 12,35 12,45 12,35 12,08 11,75 70,50 71,50 71,50 71,50 72,50 68,94 68,95 68,95	12.21 12.27 12.27 12.18 11.98 11.63 11.63 11.63 70.10 69.25 68.60 0000ibs;	1,714 2,001 271 4 16,082 11,978 9,585 1,424 9,585 1,424 12,8183 28,766 12,367 6,559 3,967 53,818 1,946 52,258 1	108 196 1,023 1,023 1,470 2,320 2,367 493 93 8,763 8,141 1,808 402 25 324 (0,991 58)	LON CRE Dubat Scent E Brant E Brant E W. T.L. Premiu Gas Oi Heavy Naphin Jet fue Dieset Petrobus Gold (Silver (Ptathru Pallack Copper	Blend (da Blend (No fipm est) PRODUC m Gasoli Fuel Oil ia (m Argus, feer per troy o per troy o per troy o	FOB (p ted) N CTS NM ne Fel. Lance scille scill	STEPTONE	57.19-5.2 8.13-6.1 8.13-6.1 8.13-6.3 7.58-7.6 pt define 172-175 154-155 301-94 157-158 174-175 1359 87 1388.40 61.50c 417.10	41 - 5 - 31 - 31 - 31 - 31 - 31 - 31 - 31	0.25 0.25 0.21 0.25 0.29 corune) -1 -5 -5
327.60 327.60 311.50 310.40 12.37 12.38 12.08 21.75 11.75 7TON NYO 71.33 72.06 88.79 71.33 72.06 88.79 98.30 98.78	+3.70 +3.80 +3.00 +3.00 +3.00 +3.00 +3.00 +0.22 +0.23 +0.21 +0.17 +0.17 +0.17 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.22 +0.21 +0.22 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.21 +0.22 +0.23	328,00 327,50 - 112,000 12,45 12,35 12,08 11,75 68,94 70,50 68,95 68,95 68,95 68,95 68,95 68,95 68,95 68,95 68,95	324.00 323.50 12.21 12.27 12.18 11.63 11.63 11.63 68.35 70.00 71.15 68.35 70.00 69.25 68.60	1,714 2,001 271 42 16,082 171 16,082 171 17,294 171 1978 9,585 1,424 9 23,618 23,618 25,258 1 1,946 6,579 5,778 6,579 6,778	108 196 196 1,023 1,023 1,023 1,023 1,023 1,023 1,023 1,023 1,023 1,023 1,023 1,023 1,025 1,025 1,027 1,077	LON CRR Dubal Brent E Brent E W.T.I. (Cas Oil Gas Oil Can Oil	Biserid (da Biseri	FOB (potest) ted) ted) tots NW ne fel Lance tel tots your tots	OT N S188 S117 S189 S176 S176 S177 S176 S177 S177 S177 S177	57.19-5.2 8.13-6.1 8.13-6.3 7.58-7.8 pt delive 172-175 154-155 \$61-94 167-168 174-175 1388.40 661.50c 417.10 152.40 151.50c 13.50c	4t - 45 - 31 - 40 - 41 - 41 - 41 - 41 - 41 - 41 - 4	0.25 0.27 0.25 0.29 0.29 -1 -5 -3 -5 -5 -1 1.00 1.03
327.60 371.50 311.50 310.40 12.37 12.44 12.35 12.08 71.75 11.75 77.00 My 71.33 72.05 88.30 68.78 ANGE JUI	+370 +380 +300 +300 +300 +303 +021 +023 +021 +0.17 +0.17 +0.18 +0.05 +0.00 +0.	328,00 327,50 - 112,000 12,45 12,35 12,08 11,75 68,94 70,50 68,95 68,95 68,95 68,95 68,95 68,95 68,95 68,95 68,95	324.00 323.50 	1,714 2,001 271 4 16,682 16,7294 11,978 9,585 1,424 9,22,6183 29,766 12,367 53,967 53,967 53,867 53,258 1,946 52,258 1 59,258 1	1,023 1,03 1,03 1,03 1,03 1,03 1,03 1,03 1,0	Dubai Brent E	Biend (da Biend (No Frue City M Gasoli M Gasoli M Argus EER Oper troy (Der troy (M (LS) pro ((LS) pro (Jala Lump M York)	FOB (p OT N S19 S19 S10 S17 S17 S17 S17 S17 S17 S17 S17 S17 S17	3/Nov) 5, 19-5.2 8.13-6.1 7.58-7.6 pr. define 172-175 154-155 301-94 167-185 174-175 157-158 1388.40 1417-10 152-40 121.0c 139-15c 13.50c 248.50	44t - 5 - 6 - 5 - 6 - 6 - 6 - 6 - 6 - 6 - 6	-1 -5 -3 -5 -5 -1.0 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.5 -1.0 -1.5 -1.5 -1.5 -1.5 -1.5 -1.5 -1.5 -1.5	
327.60 327.60 331.50 310.40 12.37 12.38 12.08 21.75 11.75 7TON NYO 71.33 72.06 88.79 71.33 72.06 88.79 96.35 106.20 104.00 106.90	+3.70 +3.80 +3.00 +3.00 +3.00 +3.20 +0.22 +0.23 +0.18 +0.17 +0.18 +0.17 +0.18 +0.17 +0.18 +0.17 +0.18 +0.19 +0.19 +0.19 +0.19 +0.10	328.00 327.50 122,000 12.38 12.45 12.35 12.00 12.08 11.75 68.94 70.50 68.96 68.96 68.96 68.96 68.96 101.75 94.40 90.50 101.75 100.50 10	324.00 323.50 12.21 12.21 12.18 11.98 11.63	1,714 2,001 271 4 16,082 172,844 11,978 11,9	108 166 166 17 1,023 17 1,023 18 141 1,023 18 141 1,023 18 1,025 1	LON CORR CHAPTER CHAPTER CALL CONTROL CONT	HOE OIL Bland (No. Bl	FOB (p) ted) yy CTS Ny ne Tel. Lanc atility toty tot	OT N STEP STEP STEP STEP STEP STEP STEP STEP	#/Nov/ 5, 19-5, 2, 3, 3, 4-6, 1 5, 19-5, 2, 3, 3, 4-6, 1 5, 8-7, 8-7, 8-7, 1 5, 8-7, 8-7, 1 5, 8-7, 1 5, 8-7, 1 5, 8-7, 1 5, 9-7, 1 5,	44	0.25 0.21 0.26 0.29 0.26 0.29 -1 -5 -3 -5 -5 -1 1.0 1.03 1.5 1.94*
327.60 371.50 371.50 310.40 12.37 12.44 12.35 12.08 71.75 11.75 77.40 71.33 72.05 89.30 68.78 ANGE JUI 92.35 96.35 100.20 104.10	+3.70 +3.80 +3.00 +3.00 +3.00 +3.20 +0.22 +0.23 +0.21 +0.18 +0.17 +0.18 +0.17 +0.18 +0.17 +0.18 +0.19	328.00 327.50 112,000 12.38 12.45 12.35 12.08 11.75 67.50 71.50 98.50 98.50 101.75 94.60 101.75 101.75 101.75	324.00 323.50 	1,714 2,001 271 4 16,082 178/hbs) 83,343 3 17,294 9 11,978 9 5,865 1,474 12,976 5,986 6,779 5 3,967 6,778 6,986 6,778 1,192 1,192	108 1166 1166 1166 1166 1166 1166 1166 1	LON CORR CHAPTER CHAPT CATTLE CA	Billion (da Billio	FOB (p) ted) yy CTS Ny ne Tel Lan asia full full pull pu	OT N STEP STEP STEP STEP STEP STEP STEP STEP	#/Nov/ 5,19-5,2 15,19-5,2 15,13-6,1 15,2-17-6,2 172-17-18-18-18-18-18-18-18-18-18-18-18-18-18-	44	0.25 0.27 0.26 0.29 0.000e) -1 -5 -5 -3 -5 -5 1.00 2.60 2.15 1.00 1.03 1.5 1.03
327.60 327.60 331.50 310.40 12.37 12.38 12.08 21.75 11.75 7TON NYO 71.33 72.06 88.79 71.33 72.06 88.79 96.35 106.20 104.00 106.90	+3.70 +3.80 +3.00 +3.00 +3.00 +3.20 +0.22 +0.23 +0.21 +0.18 +0.17 +0.18 +0.17 +0.18 +0.17 +0.18 +0.19	328.00 327.50 122,000 12.38 12.45 12.35 12.00 12.08 11.75 68.94 70.50 68.96 68.96 68.96 68.96 68.96 101.75 94.40 90.50 101.75 100.50 10	324.00 323.50 	1,714 2,001 271 416,082 271 416,082 11,294 11,978 9,585 1,424 9,585 1,424 9,585 1,426 1,593 1,986 6,599 6,599 6,699 6,695 1,192 6,695 1,192 6,297 6,895 1,192 62,267 1,192 62,275	108 1166 1166 1166 1166 1166 1166 1166 1	LON TORR Dubai Seent E Brant	Biend (da Biend (kichtipm est) PRODUK m Gaseling frue Oil is feer broy of per troy of m (per tro	FOB (p	OT N Stephenology	#/Nov/ 5, 19-5, 2, 3, 3, 4-6, 1 5, 19-5, 2, 3, 3, 4-6, 1 5, 8-7, 8-7, 8-7, 1 5, 8-7, 8-7, 1 5, 8-7, 1 5, 8-7, 1 5, 8-7, 1 5, 9-7, 1 5,	44 - 55 - 65 - 65 - 65 - 65 - 65 - 65 -	0.25 0.21 0.26 0.29 0.26 0.29 -1 -5 -3 -5 -5 -1 1.0 1.03 1.5 1.94*
327.60 327.60 331.50 310.40 12.37 12.38 12.08 21.75 11.75 7TON NYO 71.33 72.06 88.79 71.33 72.06 88.79 96.35 106.20 104.00 106.90	+3.70 +3.80 +3.00 +3.00 +3.00 +3.20 +0.22 +0.23 +0.21 +0.18 +0.17 +0.18 +0.17 +0.18 +0.17 +0.18 +0.19	328.00 327.50 122,000 12.38 12.45 12.35 12.00 12.08 11.75 68.94 70.50 68.96 68.96 68.96 68.96 68.96 101.75 94.40 90.50 101.75 100.50 10	324.00 323.50 	1,714 2,001 271 416,082 271 416,082 11,294 11,978 9,585 1,424 9,585 1,424 9,585 1,426 1,593 1,986 6,599 6,599 6,699 6,695 1,192 6,695 1,192 6,297 6,895 1,192 62,267 1,192 62,275	108 1166 1166 1166 1166 1166 1166 1166 1	LON CFR Dubal Brent E Brent E W.T.L. Premiur Gas Off Heavy Naphth Jet fleav Fetnore Gold (g Salver) Falladi Copper Lond (k Sheep Pigs (h Lond da Tate & Tate &	HOE OIL Bland (ka Bland (kk Bland (kk Bland (kk) Bland	FOB (profile to the control of the	OT N STEP STEP STEP STEP STEP STEP STEP STEP	#/Nov/ 5,19-5,2 15,19-5,2 15,13-6,1 175,231-6,3 175,231-6,3 175,21-6,1 175,1 1	44	0.25 0.25 0.25 0.29 0.29 0.15 -5 -5 -5 -1.00 0.26 0.15 1.00 2.00 2.00 2.00 2.00 2.00 2.00 2.00
327.60 327.60 311.50 310.40 12.37 12.44 12.35 12.08 71.75 11.75 7TON NYO 68.78 71.03 71.03 71.03 68.78 ANGE JUI 92.35 96.35 100.20 108.90 108.90	+3.70 +3.60 +3.00	328.00 327.50 12,000 12.38 12.45 12.08 11.75 60.50 71.50 68.96 98.50 98.50 106.	324.00 323.50 12.21 12.21 11.28 11.98 11.83 11.83 11.83 17.00 69.25 68.60 0000bs; 90.60 94.30 97.00 106.90 109.90	1,714 2,001 271 416,082 271 416,082 83,343; 17,294 9,585 1,494 23,6183 1,946 6,778 4,895 6,778 4,895 6,778 4,895 1,192 29,796 6,778 20,3901	108 166 1 1,823 1 1,870 1 1,87	Dubai Brant E Gas Ci Heavy Naphth Jet fue Dissel (Silver (Billerid (da Bille	FOB (p to	OT N SIE	A/Nov) 5, 19-5, 2, 3, 4-5, 1, 19-5, 2, 3, 3, 4-5, 1, 3, 3, 4-5, 1, 4-5, 1, 4-5, 1, 4-5, 1, 4-5, 1, 4-5, 1, 4-5, 1, 4-5, 1, 4-7, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	44	0.25 0.27 0.25 0.27 0.25 0.28 0.028 0.028 0.029 0.020
327.60 327.60 311.50 310.40 9AR '11' 12.37 12.35 12.08 11.75	+3.70 +3.00 +3.00 +3.00 +3.00 +3.00 +0.23 +0.23 +0.18 +0.17 +0.18 +0.17 +0.18 +0.17 +0.18 +0.19	328.00 122,000 12.38 12.45 12.00 12.35 12.00 11.75 2008bs;	324.00 323.50 12.21 12.21 11.28 11.63 11.63 11.63 77.00 71.15 72.00 94.30 97.00 106.90 109.90 data	1,714 2,001 1,714 2,001 1,714 1,000	108 106 106 106 106 106 106 106 106 106 106	LON TOTAL TOTAL Premiu Gas Of Heavy Naphhilat flue Diesel Gold (r Silver (r Silver) Patthrum Palladd Copper Lead (l Tin (Ku Tin (Ku Sheep Pigs (li Lon. de Tate 8 Barley Mazze (HOE OIL Bland (ka Bland (kk Bland (kk Bland (kk) Bland	FOB (p ted) (TS NW Tel Land (Tel Land (OT N STEP STEP STEP STEP STEP STEP STEP STEP	#/Nov/ 5,19-5,2 15,19-5,2 15,13-6,1 175,231-6,3 175,231-6,3 175,21-6,1 175,1 1	44	0.25 0.27 0.25 0.27 0.25 0.28 0.028 0.028 0.029 0.020
327.60 327.60 311.50 310.40 12.37 12.38 12.08 711.75 12.08 711.75 7TON NYO 68.78 71.33 77.09 71.33 77.09 68.78 96.35 106.20 106.	+3.70 +3.00	328.00 327.50 12.000 12.38 12.45 12.35 12.08 17.75 12.35 12.08 68.94 70.50 71.50 98.50 100.50	324.00 323.50 12.21 12.27 12.18 11.98 11.63 11.63 70.00 71.15 68.55 68.60 0000bs; 90.60 94.30 94.30 94.30 90.60 101.90 101.90	1,714 2,001 271 416,082 163,243 17,294 11,978 9,585 1,424 11,978 9,585 1,424 12,367 6,599 6,785	108 106 116 116 116 116 116 116 116 116 116	LON- BLORE Brent E Brent E Brent E W.T.L. Premiu Gas Oi Heavy Naphth Jessel Petraba Gold (g Silver) Gold (g Silver) Coppet Gold (g Tin (ki Tin (ke Cattle Lon. di Lon	Billiand (classifierd (classifi	FOB (p ted) (TS NW Tel Land (Tel Land (OT No er barrer Signatur Signa	4/Nov) 5,19-5,2 5,13-6-1, 5,19-5,2 5,13-6-1, 5,13-6-1, 5,13-6-1, 5,15-1, 5,1-1,	44 - 55 - 500 - 50	0.25 0.27 0.29 0.000 -1 -5 -3 -5 -5 -1 0.15 0.29 0.15 0.15 0.15 0.15 0.15 0.15 0.29 0.15 0.29 0.15 0.29 0.29 0.29 0.29 0.29 0.29 0.29 0.29
327.60 371.50 310.40 12.37 12.37 12.44 12.35 12.08 71.75 11.75 77.40 71.33 72.05 89.30 68.78 ANGE JUI 106.90 106.90 106.90	+3.70 +3.00	328.00 327.50 12.000 12.38 12.45 12.35 12.08 17.75 12.35 12.08 68.94 70.50 71.50 98.50 100.50	324.00 323.50 12.21 12.27 12.18 11.98 11.63 11.63 70.00 71.15 68.55 68.60 0000bs; 90.60 94.30 94.30 94.30 90.60 101.90 101.90	1,714 2,001 271 416,082 163,243 17,294 11,978 9,585 1,424 11,978 9,585 1,424 12,367 6,599 6,785	108 106 116 116 116 116 116 116 116 116 116	LON TORR Dubal Sent E Brant C Gas Ci Heavy Napy Napy Napy Napy Napy Napy Napy Nap	Billiand (classifierd (classifi	FOB (p ted) CTS NW Tel Land Tel Land (rew) (rew) (rew) (rew) (rew) (rew)	OT N STEP STEP STEP STEP STEP STEP STEP STEP	4/Nov) 5,19-5,2 5,13-6-1, 7,58-7,6 pt deline 172-172 173-174-175 154-155 154-155 154-155 154-155 154-155 154-155 155-156 151-50	45 5 4 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	0.25 0.21 0.29 0.29 0.29 -1 -5 -5 -5 -5 -5 -5 1.03 1.5 1.03 1.5 1.03 1.57 1.03
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327.60 327.60 331.50 310.40 12.37 12.44 12.35 12.08 21.75 11.75 77.0N NY0 71.33 77.0N S83.0 68.79 70.40 71.33 71.00 89.35 100.20	+3.70 +3.50 +3.00 +3.00 +3.00 +3.00 +0.22 +0.23 +0.18 +0.18 +0.17 +0.18 +0.17 +0.18 +0.19	328.00 327.50 - 12,000 12.38 12.45 12.35 12.08 11.75 68.94 68.95 68.95 68.96 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 68.90 6	324.00 323.50 12.21 12.21 11.28 11.63 11.6	1,714 2,001 271 482 2,001 271 482 2,001 271 482 2,001 17,294 9,585 1,424 9,585 1,424 9,585 1,946 8,559 3,967 8,559 1,946 4,885 1,192 20,390 1 4,885 2,261 2,001 20,390 1 4,885 2,261 20,390 1 4,885 20,390 1 4,885 20,390 1 4,885 20,390 1 4,885 20,390 1 4,885 20,390 1 4,885 20,390 1 4,885 20,390 1 4,885 20,390 1 4,880 20,390 1 4,880 20,390 1 4,880 20,390 1 4,880 20,390 1 4,880 20,390 1	108 166 1.023 1.02	LON- BORD Brent E Bren	BOE OIL Bland (stable) Bland (localisand	FOB (p Fob for fob fob	OT Ner barrer Styles St	4/Nov) 5,19-5,2 5,13-6-1, 5,19-5,2 5,13-6-1, 5	44 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 -	-1 -5 -3 -5 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05 -1.75 -1.05
327.60 371.50 311.50 310.40 12.37 12.44 12.35 12.08 71.75 11.75 11.75 770.40 71.33 72.06 88.78 89.30 68.78 40.40 108.90 1	+3.70 +3.60 +3.60 +3.00 +3.00 +3.00 +3.00 +0.23 +0.23 +0.18	328.00 327.50 12.20 12.30 12.35 12.08 17.75 12.35 12.08 17.75 1008bs; 68.94 70.50 71.50 98.50 100.90 109.90	324.00 323.50 12.21 12.27 12.18 11.98 11.63 70.00 71.15 70.00 99.25 68.60 0000bs; 90.80 94.30 94.30 91.00 109.90 data X, NY) Crude (1,714 2,001 271 416,082 271 416,082 119,768 13,343 17,294 11,978 9,585 1,424 11,978 5,589 1,23,766 12,367 5,589 1,946 12,367 5,096 6,778 4,789 4	108 1166 1176 1176 1176 1176 1176 1176 117	LON EFRE CARREL (I CARREL) Breat E Breat E Breat E Breat E Breat E Breat E Breat Learn (I Carrel) Gold (Fathrum Palladde Copper Lead (I Carrel) Copper Lead (I Carrel) Figs (In Carrel) Lon. de Tate 8 Barrey Matte (I Wheat Rubber Rubber Rubber Cocon Copper) Soyabe Cotton Woottop (I per tor pagning Cotton)	BOE OIL Bland (ska B	FOB (p ted) TS NAM	OT Ner barrer String St	#/Nov/ 5,19-5,2 5,19-5,2 5,13-6-1, 7,58-7,6 pt define 172-172 183-1-94 167-168 167-1	144	-0.25 -0.25 -0.25 -0.29 -1.5 -1.5 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0
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CROSSWORD

ACROSS

1 Spot, the dog, is inside safe (6)
4 As for the trials, objects for them (8)
9 A second

9 A second import (6) 10 Summons into action everybody in the Scout movement 11 As the actor wrong for the (5,3) role of the angler did? (7) (5,3)

12 Question many a one in the thriller (8)

14 The tonics will drip out if turned upside down (7)

15 The tonics will drip out if turned upside down (7) thriller (8)

13 Coloured disc on a chain (6) 17 Abandoned by the French. very upset indeed (8) 18 Attacked when working (6.2)

15 Give the impression a number will get a tip (4) 16 What to do with a cold is not to go out (7)
20 With somebody else, I released the seals and other animals (7)

18 That old one about the box and the madman? (3)

22 Dashing fellows, those lancaris (6)

23 He won't let you flag (6)

animals (7)

21 Enterprise and energy that get one the sack (4)

25 Goes for what giraffes always go for (6)

26 Opportunities (7)

27 Depressed (8)

28 Dashing fellows, those lancers! (6)

28 Before sunset, will come in to clinch it (6)

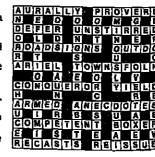
29 Depressed (8) go for (6)
26 Opportunities for first-nigh-

ters (8)
28 Offering to take people to a party (8)
29 Meaning it's a trial (6) 30 Ear piercing with a small

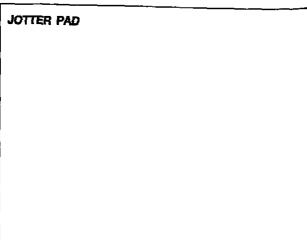
spear (8)
31 For eating, does it have to be podded and shelled? (6) DOWN

1 Rather an unknown quantity. don't you agree? (8) 2 Calms down and makes it up

3 Had contacted to smuggle the



7 Pries up with metal objects (6)



LONDON STOCK EXCHANGE

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Further gains follow favourable inflation data

By Torry Byland, UK Stock Market Editor

Better statistics than expected on domestic inflation, backed up by favourable comments from the Governor of the Bank of England, brought further gains in UK shares yesterday. The confident tone of the market was set early by the strong rise overnight on Wall Street and by an agreed bid of £478.5m from British Aerospace for VSEL, the UK nuclear submarine manufacturer.

Boosted by further strength in stock index futures and government bonds, the FT-SE 100-share Index broke through 3,100 within the first hour of full trading. But the market, although busy, spent the rest of the session jousting with this level. closing a shade under the day's best at 3,100.5 for a net gain of 27.5.

The UK stock market has now risen for five successive trading sessions, showing a rise of nearly 5 per cent since the middle of last week. The recovery since the beginning of the final quarter of the year has restimulated confidence that UK equities can move towards the Footsie 3,500 area before the end of December, Excellent trading results this week from leading US compa-nies have highlighted the recovery in global economies.

Some traders believed that the market was slowing down at last night's close, as Wall Street shaded off by 3 Dow points in early trading and global markets awaited the US producer price index, due today, and US industrial production and utility capacity utilisation statistics. due on Friday.

"I would expect some kind of con-

solidation at these levels," said Mr Ian Harnett at Strauss Turnbull. "The Footsie's close above 3,100 will be regarded as important."

The announcement of a further dip in both the headline and underlying rates of domestic retail price inflation in September, together with a steady trend in average earnings, strengthened market hopes that base rates can be left unchanged for the rest of the year, thus easing one of the principal concerns felt by investors towards UK

Faith in the low inflation outlook was further encouraged when Mr Eddie George, Governor of the Bank of England, was reported from the US as saying that markets were exaggerating the extent of expected inflationary pressure. The market assumed that the

been well cleared with all official parties before announcement, and could be safely regarded as a "done deal". A sharp gain in GEC shares indicated the stock market's belief that it was unlikely to contest the bid. However, the share price of VSEL, now effectively related to the BAe stock price, which was also strong yesterday, edged above the

share exchange offer terms.

The FT-SE Mid 250 Index advanced 28.4 to 3,535.3, keeping pace with the blue chip market and suggesting that interest in the second line issues might be returning. Non-Footsie business made up around 56 per cent of the day's Seaq total of 732.4m shares, a welcome improvement from the 662.3m of the previous session.

The strong advance in the Footsie

much contribution from the leading oil issues, which have so far refused to be over-excited by the developments on the Kuwait border, Dollar stocks in general remained very firm, although the pace slackened when Wall Street opened the new session on the downside. Short term trends in London are expected to

depend on the performance of the New York market over the next two

The insurance sector continued to make progress and the banking and retail areas drew confidence from the calming of interest rate worries. The improved tone on Wall Street and in the UK and continental European securities markets was reflected in a gain in shares of Reuters, the global financial information group.

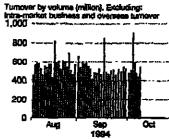




Source: FT Graphes

Key Indicators Indices and ratios FT-SE 100 +27.5 FT-SE Mid 250 1554,1 FT-SE-A 350 +13.4 FT-SE-A Air-Share 1539.72 +12.99FT-SE-A All-Share yield 3,91

Best performing sectors Building Matis & Merch... 2 Life Assurance 3 Electronic & Elect Eq. . +1.6 **Equity Shares Traded**



FT Ordinary Index FT-SE-A Non Fins p/e 18.94 (18.78)FT-SE 100 Fut Dec 10 vr Gilt vield Long glit/equity yld ratio: 2.23

Worst performing sectors 1 Tobacco ... Oil Exploration & Prod. Printing, Paper & Pack... Retailers, Food

VSEL up on BAe bid move

British Aerospace raced ahead following the announcement of the long awaited agreed bid for submarine maker VSEL, with analysts taking a favourable view of the trading, balance sheet and fiscal implications of the proposed takeover.

The stock advanced throughout the day in heavy volume to close 12 higher at 471p on a turnover of 12m shares, VSEL

Stock index futures moved

unsure of direction and the

but trading was at times

ahead for the fifth day running

market closed short of its best

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IN FT-SE 100 INDEX PUTURES (LIFFE) £25 per full index point

Open Sett price Change High

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III FT-SE MID 250 INDEX PUTURES (OMLX) \$10 per full index point

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16 Oil Emploration & Proct 111

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29 Tentidos & Apperol(20)

Health Care(21)

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8 Support Survices(41)

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69 NON-FINANCIALS(638)

PU INVESTMENT TRUSTS(124)

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70 FINANCIALS(104)

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32 Spints, Wines & Ciders(10)
33 Food Manufacturers(23)
34 Household Goods(13)

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Day's Year Div. Earn P/E Xd adj. Total
Oct 12 chge% Oct 11 Oct 10 Oct 7 ago yield% yield% ratio ytd Return

EQUITY FUTURES AND OPTIONS TRADING

finished at 1310p, up 85 on the day and 15 above the notional value of the share exchange portion of the offer.

Analysts felt that the takeover was Defence Ministry driven. By yesterday afternoon, speculation on the possibility of a potential counter-bid had begun to flag, although in some quarters GEC was still being promoted as the most likely potential rival to British

If it goes ahead, the deal stands to widen BAe's defence capability and bolster its balance sheet. VSEL brings in net cash of £288m plus tax benefits that allow profits to roar through to BAe effect-

levels, writes Jeffrey Brown.

contract ended the day 12

touched 3.127 in mid-

Low

+12.0 3127.0 3095.0 15006 +12.0

The FT-SE 100 December

points higher at 3,114, having

Est, vol Open int.

ively tax free in both 1995 and

Telecoms busy

The telecoms area attracted the most concentrated activity in the market, with turnover in the top three stocks, BT, Cable and Wireless and Vodafone, totalling 37m shares.

There was also keen support for the two classes of Securicor stock and Security Services. Securicor/Security Services hold a 40 per cent stake in Cellnet, the cellular phones group in which BT has a 60 per cent shareholding.

Dealers said the sector had

been boosted by recent specu-

afternoon. The cash market

the fair value premium

premium was 13.5 points with

standing at around 15 points.

Trading was fitful, moving in

bursts in both directions. There

was a bit less activity than on

ran to 13,702 contracts, down

Tuesday but trading volume

Both locals and market

makers were equally active,

and traders said there were

much of this was said to be

The premium to the cash

market fluctuated widely, moving out at times to 30

points. Traders said some

Traded options were also

48.750 lots from 43,990 in the preceding session. FT-SE and

active with volume rising to

HSBC were the busiest individual stock options with

3.824 lots dealt. British Gas traded 3,329 lots. Kingfisher

and NatWest Bank were also

16.85 107.39 1175.14

20.95 104.80 1318.51

19.50 108.91 1313.90 17.84 52.08 1204.59 25.49 47.28 1392.14 23.23 48.95 1371.73

5,57 22,34 85,60 1109,63

5.09 5.16 23.27 52.75 524.56 3.89 6.52 18.26 60.85 947.40 3.13 4.90 24.11 47.30 1041.53 4.42 1.46 80.00† 74.27 1098.45 3.07 5.55 21.84 73.24 1101.98 4.12 8.59 18.51 46.49 824.11

7.34 15.75 108.20 945.46 7.90 15.56 61.10 987.52 8.89 16.70 101.23 948.35 7.69 15.14 81.56 963.13 7.70 16.54 57.31 842.62 3.34 42.04 48.24 938.85 7.11 18.28 125.18 964.13

8.38 18.90 50.87 939.21 7.19 16.45 82.78 886.37 4.77 24.65 57.52 1028.85 5.32 21.90 682.8 981.08 9.81 13.28 51.78 1024.95

18.74 43.25 877.77 18.23 32.58 908.25 20.70 69.28 888.06 75.29 25.82 1074.36

23.27 82.75 924.58

arbitrage business was

undertaken, notably by

NatWest Securities.

for 19,900 lots.

4.08

3.54

3.54 3.70 3.95 3.30 3.51 3.91

3.50

5.00

4.35 4.29 3.96 4.24 3.85 3.13 4.37 5.78

+0.7 2419.48 2380.94 2343.25 2434.60 4.32 7.71 15.78 73.42 938.10 40.1 2452.66 2447.75 2420.03 2150.80 5.73 10.02 11.91 83.46 1020.98 + 60.2 2001.48 1953.13 1928.60 2174.80 6.98 + 60.79 916.27 +1.5 2056.32 1982.14 1965.40 2208.00 3.96 7.54 18.15 50.22 889.90 +0.2 1871.78 1861.88 1820.11 1955.60 5.18 12.81 8.84 69.36 937.69

+0.8 1849.78 1633.47 1618.32 1633.91 3.88 6.34 18.94 53.68 1178,11

12.00 13.00 14.00 15.00 16.10 High/day Low/day

6.62 6.47 5.60 2.34

the unwinding of short

institutional business, atthough

even occasional flashes of

and Wireless's Mercury tele-Eaux and Southwestern Bell communications business, which includes its highly suchelped to drive Vodafone 121/4 ahead to 217p. Securicor ordinary rose 18 to 1463p, the "A" cessful One-2-One digital cellular phones business. Any demerger of Mercury is stock 36 to 936p and Security Services 35 to 780p.

expected to attract strong demand in the stock market and could trigger a rerating of the other cellular companies. It was also said that BT might launch a pre-emptive strike to acquire the Securicor minority holding in Cellnet in the event of a Mercury demerger.

lation of a demerger of Cable

C&W, also helped by the expansion of HK Telecom in China, rose 6 to 421p, while BT settled a penny higher at 396%p. News of a joint venture

TRADING VOLUME

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Major Stocks Yesterday

BAT easier

Tobacco and insurance conglomerate BAT Industries was one of the few weak spots as one house apparently discov-ered that the cost to the com-pany of this year's Los Angeles earthquake was far greater than previously expected.

in France with Generale des

British Aerospace bid for VSEL had index was again achieved without

UBS spoke to Farmers, the BAT subsidiary which is one of the largest insurance groups in the US, and established that claims resulting from the earthquake had rocketed to \$150bn from \$120bn, thus draining the capital available for

writing new business. The securities house has had the stock as a trading buy for the past couple of months. However, the latest news has prompted consideration of a return to its fundamentally bearish stance. There is also concern that BAT will have to carry out huge capital investment in order to cope with the potential demand for cigarettes in newly opened markets such as Eastern Europe. The worries were voiced at the UBS afternoon meeting and the stock hit 443p before rallying with the

Gas caution

market to close 2 off at 448p.

heavily traded stock in the casts for Gas following the big

NEW HIGHS AND LOWS FOR 1994

BLDG MATLS & MCHTS (1) ALITREC.
CHEMICALS (1) Dosfee, DETTHEUTORS (1)
REA, ELECTRICE & ELECTRICE CAMPERS, MERCHEMIN
Nokic Corp. Pri., Telepac, EMGNEGRING (2) 600
GROUP, VSB., Consorbum, ECTRACTIVE INSIS (3)
Elendarand, Genoce, Wildughtys' Corp. Pri.,
DWESTIAGHT THUBTS (2) WINESTRIGHT
COMPANIES (1) Mauritan Fund, LEISURE &
HOTELS (2) Deeld Lloyd, Jurya Hoter, MEDIA (1)
Elsevier, RETABLERS, GENERAL (1) Fred Earth,
SUPPORT SETVIS (1) MERCHEMING, TELECOMMUNICATIONS (1) Vocations,
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TRANSPORT (5) Applied Distribution, GRT Bus, Go-Anead.

NEW LOWS (58).

CELTS (1) BANKS (5) ANZ, Expirito Santo
Francial, BLDG MATLE & MCHTE (1) Capa.

CHEMICALS (1) Kalon, DISTRIBUTIONS (1)

Outcle, SLECTRING & ELECT BOUR (2) Control Techniques, Gesterner, VideoLopic,
ENGINEERSING (3) Huming, Moggitz, Sentor,
ENG, VERPOCLES (2) Motor World, Select Inde.

EXTRACTIVE INTER (1) Rendercod, FOOD

MANUE (1) Continents Foods, HEALTH CARE

(1) Blocuse, MYESTAMENT TRUSTS (4) MEDIA

(3) Florostink, MERICHANT SANKS (1) Bannings

(4) Florostink, MERICHANT SANKS (1) FROM (1) Spc 2nd Prl, OIL EXPLORATION & PROD (1) TOWN LINE, OTHER SERVS & BUSINS (1) Lands: PRING, PAPER & PACKG (1) Somic, PROPERTY 59 CLS. Connect Rittalet Bincher Goldmath, Power Corp., RETAILERS, GUN (S) Carsons, Country Cassade, Flying How TEXTS.ES & APPARID. (2) Holles, Parklet

shares.

held on Tuesday between Gas

BLDG MATLS & MCHTS MI Aluma

FT-SE 100 Index and the second most active stock option as a big two-way pull developed in the shares. They underperformed the market, closing only a fraction higher at 3021/p on volume of 15m; turnover in the traded options totalled the equivalent of a further 3.3m

Specialists said the market had begun to reappraise British Gas's recent statements on dividend strategy after a lunch and a number of leading analysts. The majority of analysts British Gas was the most increased their dividend fore-

strategy presentation held in London at the end of September. A number of favourable regulatory decisions have

enabled Gas to outperform the market by 13 per cent since Burmah Castrol jumped 16 to 8550 ahead of the trip by analysts to the group's lubricants operations in Thailand

and Vietnam at the end of the month. Barclays was restrained by news that Kleinwort Benson had taken the shares off its buy list, downgrading the stock to a hold. The stock price edged up only a penny to 563p. National Westminster dipped 5½ to 497p ahead of figures expected today from US subsdi-

ary NatWest Bancorp. HSBC raced up 16 to 726p, with Swiss Bank Corporation said to have been an aggressive buyer of the stock. Insurance brokers made further rapid progress after broker buy notes and talk of potential bid moves. Willis Corroon added 41/2 at 1651/2p and Lloyd Thomp-

son 15 at 176p. Drinks group Matthew Clark tumbled 36 to 589p after it announced a £109m acquisition of rival Gaymer Croup, and a £64.6m rights issue to help fund the deal. However, market watchers welcomed the

deal. A clutch of brokers' recommendations supported Unilever, the shares closing 8 ahead at 1130p. The prospect of increased competition in the snack foods business, together with unconfirmed rumours of a

lighter at 309p. Storehouse improved 6 to 208p, boosted by a profits upgrade and recommendation from UBS. The securities house

shares in United Biscuits 3

raised its current year profits estimate by £5m to £90m and said: "Trading seems to have gathered pace at Storehouse in the last couple of months." High street retailer Lloyds Chemists forged ahead 16 to 299p after posting a sparkling

set of full-year figures which revealed a 17 per cent increase in profits to 258.3m, and a 31 per cent rise in the dividend. The favourable sentiment in Lloyds Chemists spread to Boots, which climbed 13 to 525p. UBS reiterated its buy recommendation on the stock, pointing to good prospects for

the healthcare market.

Overnight selling in the US
on Tuesday hit ICI, whose shares closed 2 lower yesterday at 814p.

Amersham international surged a further 52 to 995p on consideration of the company's Japanese deal announced earlier in the week.
Arjo Wiggins Appleton, the

paper maker, slipped 4 to 258p on disappointment that it had failed to secure a portion of SD Warren, one of the dominant US players in the sector. Warren was snapped up by Sappi, of South Africa, for \$1.6bn.

MARKET REPORTERS: Steve Thompson. Peter John, Joel Kibazo, Jeffrey Brown.

Other statistics, Page 24

LONDON EQUITIES

	·		
LIFE	E EQUITY OPTIO	NS	RISES AND FALLS YEST
	Calls Puts	Calls Puts	British Funds
Option	Oct Jan Apr Oct Jan Apr	Option Key Feb May Key Feb May	Other Fixed Interest
Allied Domeco		Harson 220 15 18% 21% 3% 8 11%	Mineral Extraction
(281)	589 8 15	(*229) 240 436 836 1236 14 1914 2236	General Manufacturers
Asgyū	260 10% 19 26% 4% 15% 19	Lasmo 154 8 9	Services
(*265)	280 3 101/2 17 18 27 31	(*154) 180 2 5% 8% 26% 30% 32	
ASDA	80 4 7 8% 1% 4 5%	Lucas Inds 180 19 22 25 4 8 12	Financials
(E2)	70 1 3 412 9 10 1112	(°195) 200 6 11½ 16½ 15 18½ 23	kivestment Trusts
Brit Airways	380 25 36% 47 2 12% 18%	P & 0 600 24 42% 52% 18 28 44%	Others
(282)	390 8 20% 31 13 27 31%	(1807) 850 B 18% 30 53 59% 74	Totals
Sort Behm A	420 19% 32% 43 4 16 24	Plicington 185 13 181 221/4 41/8 81/12	Data based on those companies fisted on the
(*434)	460 235 1415 24 29 39 46%	(787) 200 3½ 7½ 13 16½ 21 23½ Prodental 300 23½ 32 35½ 4½ 9½ 16	
Sects	500 29% 40% 52 2 11% 20%	("316") 330 61/ 151/ 191/ 19 24 321/	
(*525)	550 234 1614 2814 2814 40 46	RTZ 850 55% 78% 88% 8% 22 87	
89	420 7% 22% 32% B 19% 28	(1890) 900 23% 49 80% 28% 44 60%	
(Le50)	460 1 7 15 42 46 50%	Rediand 460 30 46 5314 71/ 151/ 291/	Traditional options
British Steel	160 91/ 151/ 22 2 7 91/	(*478) 500 101/2 241/4 33 29 351/4 521/4	First Deslings October 1
("167)	180 1% 6% 13 14% 18 20%	Royal basce 290 2216 3116 38 7 1316 19	Last Dealings October 2
Bass	500 42% 61% 57 TM 14 18%	(*293) 300 12 21% 27% 18% 22% 29	
(°537)	550 7 19 281/2 18 39 45	Teaco 220 22 26 33 3 61/2 11	Calls: Amhrex, Arcon Intl, Magnum Po
Cattle & Wiles	420 12 311/2 427% 9 25 31	(7236) 240 8 16 21W 11 16 20	Puts: Lloyds Chemists. Puts & Cells: Ma
(*421)	460 2 143h 27 41h 50 54h	Volatione 200 21 2814 32% 314 7% 10 (*216) 217 19 17 - 914 1614 -	
Countraids	420 35 45% 58 1% 11% 15	Williams 325 17% 6	
(*451)	460 51/211/2 321/2 14 29 321/2	(*334) 354 41% 24	
Comm Union		Option Oct Jan Apr Oct Jan Apr	LONDON RECENT ISSUES
(°553 }	582 1 15 24 41 % 47 60%		Issue Amt. Not.
10	800 25 52% 87 8 26% 45	BAA 500 13 28 36% 8 17 22% (505) 525 3% 14 24% 25 32 38	price peld cap 1994
(1814)	850 4 27% 43 40 54% 73	Themas Wir 500 25 35% 47% 4 19 23	р цр (Ст.) High Low Stock
Kinglisher	460 44% 50 72 1% 8% 17	(519) 550 2% 13% 25 34 48 51	§125 F.P. 17.2 130 113 Compel
(°499)	500 1314 3016 47 11 2414 3314	Option Dec Mar Jun Dec Mar Jun	- F.P. 1.30 1 ¹ 2 1 Cont1 Fo
1			- F.P. 24.8 66 61 Emerging
Land Secur	600 18% 31 48% 4% 16 21% 650 1% 11% 20% 38% 48 51	(410) 420 18 26 31 21 34 39	63 F.P. 12.2 68 65 Ennemb
(*513) Marios & S		Amstrad 25 3 4 5 2% 3% 4	115 F.P. 98.5 124 116 Games W - F.P. 90.0 60 60 Hambros
(*418)	420 7% 20% 30% 8 18% 23	(25) 30 1 19 2 11 119 119	- F.P. 290 29 28 Do Warta
NetWest	480 40% 54 83 1% 9% 22	Percentage 550 35% 48% 86% 16 30 35%	112 F.P. 21.4 120 118 Independe
(*497)	500 9 29% 39 12 25% 40%	("581") 600 13 25 32½ 46 58½ 64	180 F.P. 17.1 195 176 Macke In
C	390 18% 32 44 4 16 27	Blue Carcle 280 22% 28% 38 9 13 23%	180 F.P. 447.1 181 170 Men ED 8
Sainsbury (*403.)	390 1814 32 44 4 16 22 420 4 1814 2714 2014 3314 35	("289) 300 11% 19% 28% 19% 23% 34	80 F.P. 23.3 85 76 Ryland - F.P. 112.9 379 360 Templeton
Shell Trans.		British Bas 300 1214 20 2414 1514 19 2514	- F.P. 11.8 212 190 Do. Wrts.
(726)	750 3 22 32 28 38% 51	(*302) 330 4 9 12 37/1 39/2 45 Okons 180 19/4 23/1 28 7 12 15	- F.P. 28.3 360 340 Wresham
Surgicust	200 171/2 171/2 221/2 2 7 121/4	(*190) 200 934 14 19 17% 23 26	- F.P. 4.81 330 325 Do. NV
(*208 }	220 2 8 121/2 141/2 181/2 24		
Trafalgar	80 7 11 13% 1% 4% 8	##sdown 160 151/201/23 43/4 8 12 170 180 51/4 181/2 13 151/2 18 24	
(85)	90 2 6 814 614 914 12	Limite 140 ft 14% 17% 6V 10% 12%	
Linkster	1100 41 84 84 5 251/4 43%	(*142) 160 3% 6% 9 20 23½ 24½	RIGHTS OFFERS
(*1129)	1150 9 36% 58 28 51 68%	Nedi Power 460 41% 54 83% 11 17 25%	
Zenecz	800 22 49 61 B 26% 44	(*490) 500 18 311/2 42 281/2 35 441/2	issue Amount Latest price paid Renun. 1994
(*810) Cotion	850 31/2 25 361/4 431/3 55 72 Nov Feb May Nov Feb May	Scot Power 330 39 451/2 53 81/2 161/2 17	p up dete High Low
		(°355) 360 22.29% 37 22 30 31	160 NII 17/10 9pm 2pm
Grand Met	390 28% 43% 50 4% 14 16%	Spers 100 9% 12 14 4 5% 7%	500 NJ 18/10 S2pm 24pr
(*416.) Lacteroka	420 15 25 33 15h 28h 31	(*105.) 110 4½ 7 8½ 8½ 11 13½ Forte 220 22½ 28½ 32 5 8½ 13	245 NI 9/11 25pm 10pm
(*156)	160 7% 14% 18 9 13 17	Forts 220, 2214, 2814, 32 5 814 13 (234) 240 109 1534, 2135 14 174, 2314	76 NN 14/11 5pm 3pm
Utal Biacouts		Tarmac 130 12 17 21% 8 11% 15	
(*308)	330 5 14% 18 28 28 38	(132) 140 7% 12 18% 14 17% 21	
Option	Duc Mar Jan Dec Mar Jun	Thorn BM 1000 46% 62 84% 29 46 54%	
Fistons	110 9 13% 16 7 9% 12	(*1004) 1050 23 38 61 581/2 741/2 82	
(1117)	120 5 9 12 14 16 18	<u>*</u>	FINANCIAL TIMES EQUITY
Option	Many Each Many Many Each stem.	TSB 200 25 29 32% 3% 8 11 (219) 220 12% 16% 21 11 17 20%	
	How Feb May Mov Feb May	(*219.) 220 12% 15% 21 11 17 20% Tombins 200 20% 26 31% 5% 9 12	Oct 12 Oct 11 Oct 10
Brit Agro	480 27% 47 58 18% 27% 36%	12 1 220 1034 1534 2136 14 19 2234	Ordinary Share 2382.0 2357.8 2338

550 461/2 65 76 21/2 15 261/4

600 11 35% 48 19 36 60

Rollis-Royce 180 12% 19 23 5% 9% 14% (*185) 200 4 10% 14 17% 21% 25%

* Underlying security price. Pretreturns shown are bessed on closing other prices. October 12, Total contracts: 48,597 Calcs: 29,709 Pubs: 18,698 FT GOLD MINES INDEX Oct % chg Oct Oct Year 11 on day 10 7 ago 2241.69 -0.3 2249.03 2249.25 1570.91

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	Rises	Falls	Same
British Funds	67	1	3
Other Fixed Interest	11	ā	3
Mineral Extraction	65	49	82
General Manufacturers	223	56	359
Consumer Goods	63	25	99
Services	131	48	318
Utilities	22	14	9
Financials	151	42	172
Investment Trusts	236	3	226
Others	70	10	27
Totals	1,039	248	1.296

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INVESTMENT TRUSTS - Cont.

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3 i **LONDON SHARE SERVICE** INVESTMENT TRUSTS - Copt. LEISURE & HOTELS - Cont + or 1994 Mat

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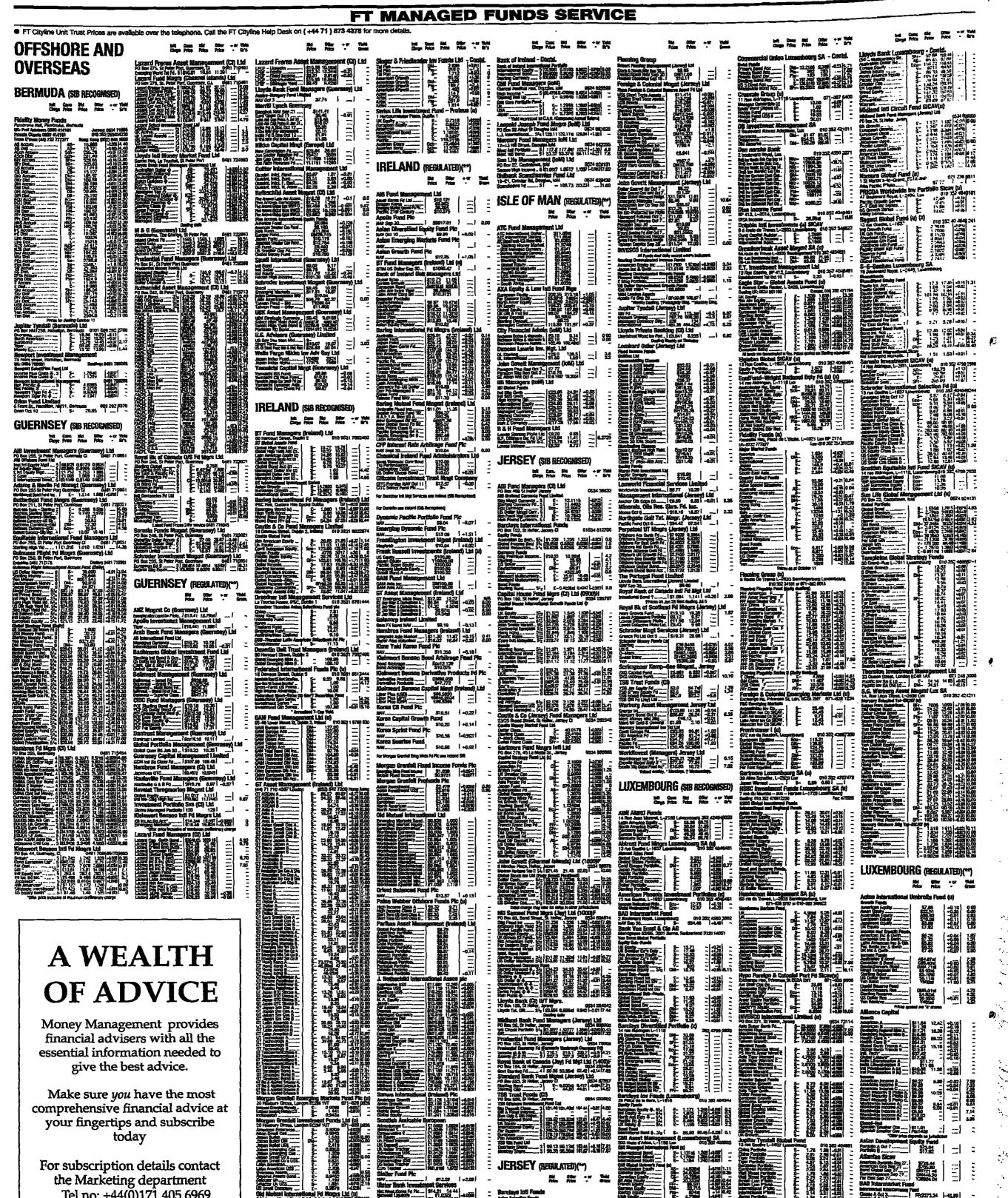
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CURRENCIES AND MONEY

MARKETS REPORT

UK interest rate prospects improve further

The recent turnaround in UK interest rate expectations con-tinued yesterday on the back of good inflation figures and bullish comments from Mr Eddie George, governor of the Bank of England, writes Philip

The December short sterling contract closed yesterday at 93.55, 40 basis points higher than the beginning of last week, while the March contract was 55 basis points up at

Elsewhere, the dollar slipped below Y100 again to finish at Y99.885 from Y100.325. Against the D-Mark, it finished at DM1.5421 from DM1.5466. The Russian rouble staged a

recovery on the exchanges, rising by 5.1 per cent to Rs3,736, from Rs3,926, after plunging 33 per cent from the start of the

The Scandinavian currencies were weaker, with an opinion poll suggesting Swedish voters might reject membership of the European Union, dragging down the krona, taking the

Finnish markka with it. The D-Mark was generally firmer all round, while sterling lost some ground, with the trade weighted index closing at 79.9 from 80.1.

catalyst for the improvement in short sterling was the data showing annual retail inflation in September at 2.2 per cent, down from 2.4 per cent in August. Mr George later cheered the market further when he sald "it would be extraordinary if we had strong acceleration of inflation with such slow money growth (in

the larger economies)."
Sentiment remains bearish; the market is discounting three month money at 6.45 per cent by Christmas, compared to 5% per cent currently. The same point emerges from

p Pour	ed in New Yor	k
Oct 12		Prev. ciase
200E 3	1.5810	1,5795
1 mth	≥.580\$	1.5791
3 min	1,5801	1.5785
1 15	1,5708	1.5668

looking at the options strike prices for the December contract, which shows most of the open interest contracts are found at 93.50, 93.75 and 94.00. This shows that most investors expect three month rates to be in the 6-6.5 per cent range at

the end of the year. Most economists are less pes simistic in their outlook than the market, with many holding by the view that there will be no further increase in interest rates this year. This is based on the assumption that the economy has slowed quite sharply in the third quarter.

Despite the market's lingering bearishness, the turn-around over the past ten days has been considerable. Analysts attributed this large move to the fact that the market was correcting itself from a very oversold position.

The speed and extent of the correction has been such, how-ever, that there are already concerns that the market might be approaching over-



October 1994

The same is not necessarily so for sterling. Mr Jeremy Hawkins, chief economist in London at the Bank of America, comments: "In the longer term it has to be good for sterling if the UK emerges as a low inflation economy."

■ The dollar's dip down to a low of Y99.65 was prompted by

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

the receding prospect of the dollar receiving safe haven month's mid-term congressional elections.

Other factors contributing to its weakness were talk of dollar sales from Mr George Soros's Quantum fund, and possible selling interest from Kampo, the Japanese postal life insurance bureau.

Comments from Mr Yasushi Mieno, the Bank of Japan gov-ernor, that Japanese lending rates could be expected to rise, also helped the yen.

A further threat to the dollar comes from Germany. The D-Mark has been fairly weak for the past month on fears that Chancellor Kohl's coalition might not be returned with a working majority. Should he win this weekend's election, however, the D-Mark is likely to benefit, and the dollar will suffer.

On the other hand, some observers believe the dollar may benefit from Mr Clinton's decisive action in the Gulf They reason that this could

If this helped them maintain control of the Senate, the possibility of a stalemate between the legislature and the executive would be avoided. This, the argument goes, would make dollar assets, and hence the dollar, more attractive.

The Bank of England provided £1.124bn assistance, £474m at established rates, to UK money markets, compared to a £1.1bn shortage. Overnight money traded between 5 and 6% per cent.

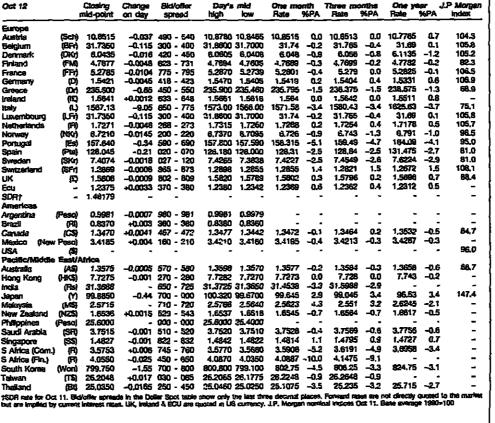
German call money was steady at 4.90/5 per cent ahead of today's Bundesbank council meeting. No shift in official rates is expected.

Oct 12	£	\$
Hoppay	170,140 - 170,374	
han i	2771,00 - 2774,00	1748.00 - 1750.00
Krawait		0.2974 - 0.2962
Poland	36668.5 - 36732.2	
Possba	4899.85 · 5374.05	
WE	5,7945 - 5,8085	3.6716 - 3.6735

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Belgium	475	45	52	50	8.	7.40	4 50	-
Week 200	4%	45	54	6%	6 <u>1</u>	5.00	-	3.75
France	51	54	64	55	64	5.00	-	6.75
week ego	5.3	5,	52	5%	5.70	6.00	4 50	4.85
Germany	4,90	4,95	5.20	5,30	5.63	6.00	4.50	4.85
week ago	4.95	4,95	5,18	5.25	71		-	0.25
ireland	4뎙	5Va	54	6 <u>4</u>	14	_	-	6.25
week ago	4%	5%	63	9%	104	_	7 50	9.20
İtaly	8%	8.	85 9	91/2	10%	-	7 50	8.20
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Hetherlands	4.84	4.98	5,25	5.40	5.86	-	5 25	-
week ago	4,84	4.98	3.25 4 j	4.	43	6.625	3 50	-
Switzerland	31	35	4%	41	13.	6.625	3.50	-
week ago	3%	32	53	59	64	-	7.00	-
US	4%	51	54	5.2	64	-	4,00	-
week ago	4%	54	214	23	2%	-	1.75	-
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week ago	-	514	5%	5.			_	_
US Dollar CDs	_	4,92	5.31	5,60	6.16	-	_	_
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Belgian Franc	411 -			2 - 412	514 - 514	514 - 513 7 - 614	714 - 7
Danish Krona	64 -			% · 558	812 - 64		54 . 5
D-Mark	412 -			- 4iž	514 - 514	5,4 - 5,4	511 - 5
Dutch Gustier				- 47	5lg - 5lg	512 - 514 512 - 513	8. 6
French Franc	53 ₈ - 8			- 5	55 - 512	1079 - 1014	104 - 1
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Spenish Pesa				7.7	5% - 51	6.2 - 6.4	713 -
Sterling	57			- 512	418 - 418	4.4 - 4.0	411 - 4
Swiga Franc	3 ¹ a - 1			4 - 3% - 4%	518 - 518	6 - 53	67 - 6
Can, Dollar	44			ilg - 5	5% - 512	5 2 5	634 - 6
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	IONTH PR	OR FUT	HOUS (MA	TIF) Parts	Interbank	olfered rate	
	Open 3	Sett price	Change	High	Läw	Est vol	Openi
Dec	94.06	94,07	-0.01	94.08		13,210	50,31
Mar	93.61	93.53	•	93.65		9,046	36,69
Jun	93.21	93.23	-0.01	93.26		6,319	23.90
Sep	92,86	92.90	+0.01	92.91	92,85	2,368	20,19
II THERE I	IONTH TH	RODOLL	ar lifee	3" \$1m po	ints of 100°	4	
=		Sett price	Change	High	Low	Est, voi	Open
B		94.03	-0.04	94.04	94.04	200	2334
Dec	94.04	93.65	-0.04	84,04	24,04	ō	1456
Mar Jun		93.24	-0.05			ŏ	300
Sep		92.93	-0.05			ō	52
		_					
N THREE							Open
	Open :	Sett price	Change	High	£,DW	Est. vol	-
Dec	94.68	94,70	-	94.71	94.67	23304	18086
Mar	94,32	94.36	+0.02	94.37	94 30	23515	1752-
Jun	93.97	93,99		94.02	93.93	25232	10377
Sep	93.61	\$3.65	+0.01	93.66	93.57	16700	7722
THERES N	SONTH EU	ROLERA	NT.RATE	FUTUR	E\$ (LIFFE) I	1000m poln	ts of 100
	Open	Selt price	Change	High	Low	Est. voi	Open i
Dec	90.43	90.63	+0.17	90.67	90.43	7277	3233
Mar	89.73	89,91	+0.17	89.82	89,73	2145	1740
Jun	89.28	89.35	+0.17	89,35	89.21	2039	1501:
Sep	88.78	88.97	+0.17	88.98	88,78	857	1559
W THREE I	HONTH EL	RO SWIS	S FRANC	FUTURE	BS (LIFFE) S	Frim points	
		Sett price	Change	High	Low	Est, vol	Open 1
Dec	\$5.67	95.69	-0.01	95,73	95.67	4302	2473
Mar	95,32	95.35	+0.02	95.37	95.29	3830	1444
Jun	94,95	94,94	-0.02	94.99	94.94	148	7088
Sept	94.63	94.63	0.02	94,65	94.63	158	1130
S THREE R	NONTH EC	ווודטיו על	NES (UFF	Ecu1m	points of 10	20%	
	Open	Sett price	Change	High	Low	Est vol	Open i
Dec	83.67	93.74	+0.06	83.75	\$3,68	1253	7917
Mar	93.17	93.24	+0.06	93.26	93,16	1305	5701
MIND	92.64	92.73	+0.07	92.75	92.63	75B	3397
Jun	82.04						
	92.18	92.26	+0,07	92 <i>.</i> 27	92.18	345	1178

Oct 12 17.2157 17.1425 17.147 0.3 17.1352 50.3450 50.1150 50.1788 -0.5 50.0838 9.5724 9.3499 9.5473 0.6 9.5861 - 6.3551 8.3867 6.3425 0.1 8.3367 2.4438 2.4354 2.4365 0.4 2.4332 372.957 372.031 1.0114 1.0098 1.0104 0.2 1.01 2485.34 2475.05 2483.32 -3.1 2496.42 50.3450 60.1150 50.1788 -0.5 50.0838 2.7372 2.7286 2.7287 0.5 2.7254 10.6468 10.6023 0.1 10.6258 -8.3 254.068 202.605 202.269 202.752 -2.2 203.517 11.7407 11.8616 11.7287 -2.2 11.7757 -2.0377 2.0323 2.0312 1.7 2.0252 Earrope Austria Belgiam Denmark Finand France Germany Greece Ireland Individual Norway Portugal Spain Sweden Switzeria UK Ecu UK Ecu UK Ecu Ecu Ecu Ecu UK E -0.0688 438 - 591 -0.212 397 - 778 -0.031 476 - 565 -0.0121 254 - 456 -0.0213 395 - 464 -0.0068 384 - 382 -1.251 058 - 381 -1.251 058 - 381 -0.0013 058 - 113 -15.8 538 - 386 -0.212 397 - 778 -0.0023 189 - 288 -0.222 397 - 466 -0.005 329 - 486 -0.019 977 - 176 -0.0025 329 - 351 0.2 -3.1 0.6 0.6 -0.1 -7.9 -2.2 -2.3 1.7 1,0119 2651,47 49,8788 11.9637 1.9889 1.2772 -0.0042 764 - 780 1,2803 1,2760 1,2769 0.3 1,2766 -0.002 770 - 779 +0.0039 210 - 248 +0.0053 261 - 296 +0.0031 980 - 083 -0.0009 802 - 809 1.5787 1.5757 1.3256 1.3209 2.1311 2.1233 5.4095 5.3980 1.5620 1.5789 87.8 2.1492 2,1443 12.2255 12,2033 49,6230 49,5340 158,470 157,580 Hong Kong India Japan Malaysia -0,79 815 - 932 158,470 157,590 -0,0025 627 - 661 4,0726 4,0529 +0,0006 119 - 152 2,6155 2,6099 -0,0243 371 - 872 40,8210 40,1355 -0,0062 273 - 315 5,8347 5,9249 -0,0029 422 - 448 2,3459 2,3420 +0,0061 484 - 533 5,8552 5,8364 -0,0434 919 - 264 6,4611 6,3789 -3,21 369 - 440 1265,75 1262,25 +0,002 080 - 299 41,4531 41,3508 -0,0499 445 - 936 39,4501 33,5340 -0,0499 445 - 936 39,4510 33,5340 -0,0499 445 - 936 39,610 33,5340 -0,0499 445 - 936 39,610 33,5340 -0,0499 445 - 936 39,610 38,5400 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0499 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 - 936 39,610 -0,0490 445 4.0844 2.6136 40.4622 5.9294 2.3435 5.6509 6.4092 1294.06 New Zealand Philippines Saudi Arabia 2,6175



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Belgium	(BFn	100	19.05	16,64	4.859	2.014	4937	5.442	21,18	496.7	403.4	23.33	4.056	1.994	4,245	3.153	314.7	2.548
Denmark	(DKr)	52.50	10	8.734	2.551	1.057	2532	2.857	11.12	260.8	211.8	12.25	2.129	1.047	2.229	1.655	165.2	1.337
France	(FFe)	60.11	11,45	10	2921	1.211	2968	3.271	12.73	298.6	242.5	14.02	2.438	1.199	2.552	1.895	189.1	1.531
Germany	(DM)	20.58	3.920	3.423	1	0.414	1016	1.120	4,358	102.2	83.01	4,801	0.835	0.410	0.874	0.649	64,75	0.524
ireland	(PE)	48.65	9.457	8.260	2413	1	2451	2,702	10.51	246.6	200.3	11.58	2014	0.990	2.108	1.565	158.2	1.264
Italy	(L)	2.025	0.386	0.337	0.098	0.041	100,	0.110	0.429	10.06	8.170	0.473	0.082	0.040	0.086	0.064	6.373	0.052
Netherlands	(FI)	18,38	3.500	3.057	0.893	0.370	907.3	1	3.892	91.28	74.13	4.287	0.745	0.36 8	8.780	0.578	57.82	0.458
Norway	(MKI)	47.22	8.994	7.856	2.295	0.951	2331	2.570	10	234.6	190.5	11,02	1.915	0,942	2.005	1,489	148.6	1.202
Portugal	(Es)	20.13	3,835	3.349	0.978	0.405	994.0	1.096	4.263	100.	81.21	4.697	0.817	0.401	0.855	0.835	83.35	0.513
Spain	(Pta)	24.79	4,722	4.124	1.205	0.499	1224	1,349	5.250	123.1	100.	5,783	1.005	0.494	1.052	0.782	78.00	0.631
Sweden	(SKr)	42.86	8.164	7.131	2.083	0.863	2116	2.332	9.077	2128	172.8	10	1.738	0.855	1.820	1.351	134.9	1.091
Switzerland	(SFr)	24,66	4,698	4.102	1.198	0.497	1217	1,342	5,221	122.5	99.46	5,752	_ 1	0.492	1.047	0.777	77.58	0.628
UK	(2)	50.15	9.552	6.343	2.437	1.010	2476	2.729	10.62	249.1	202.3	11.70	2.034	1	2.129	1.581	157.8	1.277
Canada	CS	23.56	4.487	3.919	1.745	0.474	1163	1,282	4.988	117.0	95.02	5,496	0.955	0.470	1	0.743	74.12	0.600
us	(A)	31.72	6,042	5,277	1.541	0.639	1566	1.726	6.717	157.0	128.0	7,400	1.287	0.633	1.347	1	98.81	0.606
Japan Ecu	141	31.78 39.27	6.053 7.480	5.287 6.533	1.544	0.640	1569 1939	1.729	8.730	157.9 195.1	128.2	7,414	1.269	0.834	1.349	1.002	100.	0.809
					1.908			2.137	8.316		158.4	9,162	1,693	U. / \$3	1.667	1.238	123,6	'
Danish Kroner, Frenc	u elanc	. regrue	igen ruones	, and Swe		por 10; E	egran Fra	nc. Yen, E	zuog, Lira	and Peast	E Der 100.							
D-MARK FUT	JRES	(MM)	DM 125.00	0 per DM	ı				E 4/	PANESI	YEN A	TURES	(IMMA) Yen	12,5 pe	r Yen 10	1		

Dec Mar Jun	0,7781 0,7820	0.7791 0.7820 0.7836	+0.0016 +0.0016	0.7798 0.7820	0,7770 0,7817	20,459 37 3	34,406 941
	<u> </u>	0.7838	-	<u> </u>			63.
· UK	INTERE	T RAT	ES 🐪		200 . ja 14. kg		
LONE	ON MO	NEY RA	TES				
Oct 12		Over- night	7 days notice	One month	Three months	Six months	One year
	Sterling	6 ¹ 4 - 5	55 - 516				
Sterling (Treasury		:		514 - 514 514 - 514		61g - 61g	716 - 74
Bank Bill		•		513 - 514		64 - 64	
لنج لاعما	thority depa.	5¼ - 5¼	514 - 51g	54 - 54		64 - 64	7십 ~ 6일
Descount	Market deps	814 - 514	5 ³ 8 - 5 ³ 4	-	•	-	•
UK dean	ing bank base	lending rat	a 5¼ per ce	ent born Se	ptember 12,	1994	
			Up to 1	1-3 month	3-6 (manths	e-9	9-12 (1101)ths
	Taz dep. (C10		112	4	334	33,	312
Ave, tendi 1994, Agn	ior dep. under 1 er rate of disco eod rate for per p 1, 1994 to Se	unt 5.4650pc. fod Oct 26. 1	ECGD fixed 984 to Nov 3	rate Stlg. Exp 6, 1984, Sch	port Finance. ernes II & W 7	Make up day .05oc. Refer	ence rate fo

High

Low

Est vol Open int.

	Open	Sett price	Change	High	Low	Est voi	Open int
Dec	93.43	93.55	+0.10	33.58	93.42	47929	155797
Mar	92.63	92.79	+0.13	92.83	92,62	48991	72682
Jun	91.98	92.17	+0.18	92,22	91.98	15658	51959
Sep	91.53	91.72	+0.18	91,76	91.52	8332	49835
		nterest figs OPTIONS			nime of 100	%	
E SHORT	PT. All Open	ортона	(UFFE) CS		oints of 100		
E SHORT		OPTIONS	(UFFE) ES		oints of 100	%	Jun
	STERLING	OPTIONS	(UFFE) (S	500,000 pc		PUTS -	<i>ਹੋਗਾ</i> 1,48
E SHORT Strike Price	STERLING Dec	OPTIONS	(UFFE) CS	500,000 pc	Dec	PUTS -	
E SHORT Strike Price 9350	Dec 0.24	САL Ма	LS	00,000 pc	Дес 0,19	PUTS -	1,48

BASE LENDING RATES							
*	*	*					
Adam & Company, 5.75	Duncan Layre 5.76	" Revoluteine Guarantee					
Affed Trust Bank5.75	Exeter Bank Limited, 6.75	Corporation Limited is no					
AIB Bank 5.75	Financial & Gen Bank 8.5	tanger authorised as					
Retenty Ansbacher 5.75	eRobert Pleming & Co 5.75	a banking institution. 8					
Bank of Berods 5.73	Girobank 5.75	Floyal Bk of Scotland 5.7					
Banco Bibao Vizcaya 5.75	@Gukrness Mahon 5.75	Smith & Wilman Secs . 5.7					
Bank of Cyprus 5.75	Habib Bank AG Zurich , 5.75	TSB 5.7					
Bank of Iroland 5.75	@Hambros Bank 5.75	OUnited Bit of Kuwait 5.7					
Bank of India 5.75	Hostiable & Gen Inv Bk. 5.75	Unity Trust Bank Pic 5.7					
Bank of Scotland 5.76	61-EI Samuel	Western Trust 5.7					
Bardays Bank 5.75	C. Heare & Co 5.75	Whiteaway Laklaw 5.7					
Set Bix of Mid East 5.75	Hongkong & Shanghal, 5.75	Yorkshire Bank 5.7					
Brown Shipley & Co Ltd 5.75	Julian Hodge Bank 5.75						
CL Benk Nederland 5.75	CLeopold Joseph & Sons 5.75	Members of London					
		A WAININGS OF FOURT					

...... 5.75 * Mount Banking 5.75 NatWestminster ...

6.316 195		9,162	1,693	0.783	1.667	1.238	123,6	1
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E JAPAN	ESE YEN FU	TURES	(MAN) Ye	n 12,5 per	Yen 100			
_	Open	L <u>atest</u>	Chang	_				Open Int.
Dec Mar	1.0034 1.0120	1,007Q 1,0153	+0.004				,833 265	59,115 4.019
Jun	1.0120	1.0198	*0.000	1.010			23	494
II STERL	NG FUTURE	ES (IMM)	262,500	per £				
Dec	1.5766	1,5804	+0.001	8 1.581	1.5	768 10	.678	41,417
Mar	1.5790	1,5790	+0.002				32	371
Jun	-	1,5740	-	1.574	10	•	1	8
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Oct 12	Ean ce		ate	Change			эргее	
]	rates		est Ecu	on day			weake	t ind.
Netherland Belglum	te 2.1967: 40.212		14684 1.4493	-0.00131 -0.0241			5.58 5.17	14
Ireland	0.80862			+0.001785			5.06	12
Germany	1.9496		1691	-0.00112			4.84	-
France	6.5388 7.4387		58059 51140	+0.00207	7 Q. 3 1	33 00	2.84 2.15	-3 -7
Portugal	192.85		5,917	+0.018		59	1.56	-11
Spain	154.25	0 15	9.152	+0.126	3.	18	0.00	-22
NON ERIM	MEMBERS							
Greece	264,51		2,675	-0.138			-6.75	-
italy UK	1793.1 0.78674		49.59 35992	-4,29 +0,002552			-5,10 3,28	=
Ecu central r	ates set by the	European (Commissio	m. Currenci	es are in d	escendino re	lative str	ength.
Percentage of ratio between	thereas are for	Ecut, & pos the percent	thre chark metho com	go denotes a ence betwee	a weak cur on the actu	rency. Diver ei market en	gença sh d Ecu ci	cres the lated rates
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(17/9/92) 52	uyud aus payan	Lira auspe	nded from	ERM. Adju	stment cak	culated by th	e Finenç	dal Times.
N PHILAI	ELPHIA SE	£/\$ 0P	HOMS &	31,250 (ce	nts per p	ound)		
Strike			18			PU7		
Price	Oct	No		Dec	Oct	No	-	Dec
1,500 1,525	7.98 5.54	7.5 5.5		7.99 5.84	•	0.0 0.0		Q.13 Q.41
1.550	3.04	3.5		3.91	-	0.3		0.95
1.575	0.77	1,0		2.40	0.12	1.0		1.88
1,696 1,625	:	g.e Q.:		1.32	1.83 4.25	2.5 4.4		3,2 <u>7</u> 5,02
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THINKS	MONTH EV	RODOLL	AR (IMN			0%		
	Open	Latest	Chang	a High	1 4	W Est	L vol	Open Int.
Dec	94.06	94.03	-0.03	84.0	6 94		434	461,606
Mar	93.68	93.66	-0.02	93.69			627	399,462
Jun	83.27	93,25	-0.02	93.2	r 93.	23 58	,126	297,313
E US TRE	ASURY BIL	L FUTUR	ES (MM) Şîm per	100%			
Dec	94.85	94,64	-0.02	94,6	5 94	.53 4,	401	19,992
Mar	•	94.21			94		13	9,043
Jun	93.81	93.82	-0.05	93.8	2 93	<i>8</i> 1 1	39	2,007
All Open trea	rest Pos. are t	or previous	day					
	LARK OPTIO		-, Ex 1344	ام علمام	100			
			18	10 501-50				
Strike Price	0er	—⊶ CAT	Dec Dec	Mar	Oct	Nov	()4C	Mer
9450			0.26		0.01		0.06	0.31
9475	0.02).06 (110	0.09	0.07	0.11	0.15	0.48
9500			0.03		0,31		0.33	0.68
EST ACT POST	l, Goda 13440 i Rayists Firan	Pulis 2015. IC OPTIX	Provious MS ILIFI	oodynaopon FBSFr1m	ımı, Çatis 1 pojnts o	าฮา เฮร Pน์ สำ190%	9 1/406	Z
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Correction Notice - Guithert first-half financial highlights

concerning the net profit after tax/France (in thousands of FF, unaudited): the figure for 30/6/94 is 108,928 (not 106,928), and the figure for 31/12/93 is 209,615 (not 209,815).



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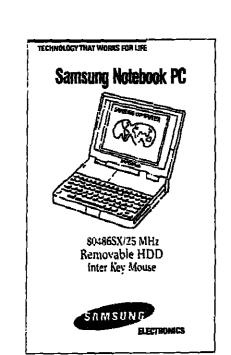
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US stocks ease on a bout of profit-taking

Wall Street

A three-session rally by US stocks stalled yesterday morning ahead of the barrage of crucial economic data due today and tomorrow, writes Frank McGurty in New York

By 1 pm, the Dow Jones Industrial Average was down 4.37 at 3,872.46, while the more broadly-based Standard & Poor's 500 was off 0.36 at 465.43.

On the NYSE, declining issues led advances by a fiveto-four margin by early afternoon in moderate volume of 158m charge

Other indices were slightly ahead, with the Nasdaq composite up 0.48 at 766.05 and the American SE composite adding a scant 0.25 to 458.01.

In the absence of fresh economic news and a light flow of corporate results, stocks opened weaker. Profit-takers were taking advantage of share prices inflated by the 101-point

advance by the Dow industrials since last Thursday's close. The moderate downturn also reflected a slight setback in the bond market, where prices were drifting lower in lacklustre activity. Investors in both markets were keen to see today's data in September producer prices and tomorrow's news on consumer price infla-

tion and industrial production. Caution prevailed, though the outlook was generally favourable. None of the data was expected to be particularly troublesome and there was a growing consensus that the Federal Reserve would hold off on any further moves to lift interest rates until next

mism, stocks retraced their Louis Gerstner, its chairman. steps as the morning progressed and were hovering just below their opening values as the afternoon began.

There were fewer earnings reports on offer than in the previous session, when the strength of the results had given the market a strong push forward. But yesterday several companies gave Wall Street good indications about what

Goodyear Tire, riding high on the strong demand for US cars, said it expected to report improved quarterly earnings. But its estimate failed to impress investors. The stock

dipped \$\% to \$34\%. Farah, an apparel maker, fared even worse after forecasting earnings of 15 to 25 cents a share in the three months to November 4, against 42 cents a year earlier. The stock plunged \$2 or 19 per cent to \$8% on the announcement in heavy vol-

Among the companies actually reporting. Weverhauser became the second paper and pulp supplier after International Paper to post disappointing results. The stock dropped \$1% to \$41%, while IP receded a

further \$\% to \$76 Shares in CBS lost about 4 per cent of their value after the media group revealed a decline in net income and revenue. The issue was down \$14 at

In the technology group. International Business Machines stood out after a quiet outing the previous session, when many of its competitors had appreciated in value. Big Blue jumped \$1% to \$72% on reports that it might begin nonth. making acquisitions again and Amid such underlying optifavourable comments by Mr

On the Nasdaq, computer-related issues were mixed. Apple, often mentioned as a pos strategic partner with IBM, gained \$1 to \$40%. But Wellfleet Communications shed \$1% to \$22 and Intel was down \$1% at \$40%,

Toronto was strengthening in active midday trading, but investors remained tentative ahead of today's US September producer prices and tomor-

The TSE 300 index climbed 36.59 to 4.341.98 at noon in volume of 32.0m shares.

Of Toronto's 14 sub-indices, only real estate and construction failed to move higher by midday. The real estate group was off 5.81 at 2,385.22, led by Cambridge Shopping Centres which fell C\$1/4 to C\$131/4 in light volume

Mexico

Shares rose sharply in early trading, helped by strong demand for Mexican ADRs on Wall Street. The IPC index gained 43.91 or 1.7 per cent, to 2.709.50 in the first hour of trading, unaffected by the rise in primary interest rates on Treasury bills at the central bank's weekly auction.

Telmex ADRs were up \$% to \$62% in New York while in domestic trading its L shares

rose 1.90 per cent. Leading gainers were Dina L shares, up 5.1 per cent, and the financial group, Bancomer C shares, which added 3.4 per cent. ICA shares rose 2.8 per cent, while Cemex BCP shares gained 3.3 per cent and its CPO shares rose 2.9 per cent.

Golds help S Africa to recoup losses

Johannesburg recovered part of Tuesday's hefty losses as the market found support from firmer world equities and a mild bullion price recovery. However, dealers said that sentiment remained nervous as the gold price was unconvincing and the financial rand continued to pressure rand prices of shares. The overall index advanced 34 to 5.583, golds put on 17 at 2,282 and industrials moved ahead 16 to 6,261. and Sasol firmed 10 cents to R35.75.

Lehman Brothers has added South African equities, particularly gold miners, to its model portfolio with a 2 per cent weight, taking funds from France and Switzerland.

In yesterday's trading, De Beers added R1.75 at R99.75, Anglos rose R4 to R231 and Gencor picked up 50 cents to R14.30 after Tuesday's sharp losses. SAB moved ahead R1.75 to R85.75

EMI	ERGING	MARKETS:	IFC WEE	KLY INVES	TABLE PRIC	E INDICE:	5
			Dollar terms	 ;	L	ocal currency	terms
Market	No. of stocks	Oct. 7 1994	% Change over week	% Change on Dec '93	Oct. 7 1994	% Change over week	% Change on Dec '93
Latin America	(208)	740.36	-4.9	+13.8			
Argentina.	(25)	918.18	-4.3	-7,7	562,178.21	-4.5	-7.9
Brazil	(57)	412.27	-8.4	+77.2	1,299,671,333	-9.6	+1,178.9
Chile	(25)	781.01	+2.8	+41.5	1,296.08	+3.2	+36.0
Colombia ¹	(11)	871,74	-2.0	+35.2	1,292,28	-2.3	+39.4
Mexico	(67)	945,86	-3.8	-6.0	1,394.20	-3.0	+3.3
Peru*	(11)	182.26	-2.4	+50.7	250.54	-2.5	+57.5
Venezuela ³	(12)	559.69	+0.9	-5.4	2,185,61	+0.9	+53.8
Asia	(\$57)	276.85	-0.5	-4.9	•		
China*	(18)	101.44	-3.9	-32.0	109.34	-3.9	-33.4
South Korea ⁵	(156)	150.07	+0.9	+27.0	157.56	+0.9	+25.5
Philippines	(19)	306.02	+2.5	-10.1	378.46	+3.4	-14.8
Taiwan, China	(90)	152.40	-7.3	+12.7	149.67	-7.4	+11.9
India ⁻	(76)	137.73	+1.2	+18.2	153.48	+2.0	+19.2
Indonesia ^o	(37)	112.25	+5.1	-10.0	132.46	+5.0	-7.0
Malaysia	(104)	306,92	-0.9	-9.5	290.47	8.0-	-13.8
Pakistan ^p	(15)	423.92	+2.7	+9.3	589.48	+2.9	+11.6
Sn Lanka ⁿ	(5)	204.32	-1.0	+15.3	218.47	-1.1	+14.4
Thailand	(55)	427.18	-1.7	-10.6	424.53	-1.3	-12.1
Euro/Mid East	(125)	119.91	+1.8	-29,2			
Greece	(25)	229.78	+3.9	+0.9	366.05	+3.3	-4.8
Hungary**	(5)	178.65	+1,3	+7.2	231.61	+1.2	+14.7
Jordan	(13)		-2.4	-7.3	225.54	-0.1	-5.8
Poland ^c	(12)		+8.7	-24.7	895.70	+7.8	-18.8
Portugal	(25)		-0.3	+8.2	133.18	-0.8	-3.6
Turkey"	(40)		+1.3	-44.4	1,912.83	+2.5	+31.5
Zmbabwe*	(5)		-0.5	+30.3	323.35	-0.1	+51.4
Composite	(691)	361.53	-2.6	+1.6			

Portugal has been attracting interest from brokers, some of whom rate it as a buy

above both Greece and Turkey, writes John Pitt.

So far this year the Portuguese equity market has gained 8 per cent in dollar terms, compared with a loss of 44 per cent in Turkey and a 1 per cent rise in Greece, and has been the best performer in the Europe/Middle East sub-index.

Lehman Brothers argues that Portugal is attractive because, politically, it is relatively stable and has the expectation for higher real growth than either Greece or Turkey.

Merrill Lynch expects the market to move in line with the European average over the likelihood.

next 12 months, with the momentum coming from the likelihood of growth in the economy, which could appreciate faster than the rest of the Continent.

Activity muted as investors await data

FT-SE Actuaries Share Indices

Activity remained muted yesterday on the Continent ahead of the release of US data later this week, writes Our

In its latest European strategy report JP Morgan says there is little sign of short-term relief for the region's equity markets because of the uncertainty surrounding a further rise in US interest rates. However, the broker says, the medium-term outlook for the core countries of France and Germany is positive, because of robust growth and low infla-

By contrast, Spain and Italy, while likely to experience even stronger growth, might be affected by higher inflation and higher short-term interest rates, leading to an under-

weight recommendation.
FRANKFURT rose during official hours but then fell back slightly in late trading, but the day was marked by a general lack of interest ahead of this weekend's elections. The Dax index put on 6.51 to 2,077.57, then fell to 2,069.98

Schering added DM21 to DM959, adding to Tuesday's gain which followed news of the presentation of a rival multiple sclerosis drug.

Elsewhere BASF put on DM3.1 to DM313 and Bayer DM5.1 to DM356.

Financials were pulled in both directions: Deutsche Bank fell DM2.8 to DM712.2, Dresdner Bank DM1 to DM389, while Allianz rose DM14 to DM2.277 and Commerzbank DM2 to

PARIS featured individual stories as the CAC-40 index drifted in a listless fashion, ending down a marginal 0.88 at 1,918.14. Turnover was FFr3bn.

UAP was among the worst performers, off 5 per cent at FFr138.50, after reporting a fall in first-half profit to FFr853m, below most analysts' expecta-Carrefour went in the oppo-

site direction, rising FFr46 to FFr2,184, denying reports that it might make a bid for a UK supermarket group. Sanofi picked up a further FFr11.10 to FFr252.30 after announcing the sale of part of its bio-activities division on Tuesday. ZURICH was lower in quiet

conditions, with trading domi-

announcement of a 3 per cent

nated by professionals. The SMI index closed 7.5 down at Ciba registered shares eased SFr4 to SFr716. The company's

proved in line with expectations, although the negative impact of the strong Swiss franc was slightly worse than expected. Roche, reporting third-quarter figures on Monday, saw its certificates finish

F7-SE Sprograck 190 FT-SE Eurobrack 200

flat at SFr5.880.

UBS shares showed little reaction to comments by Mr Martin Ebner, chairman of BZ Bank, that he was not trying to gain control. The UBS bearers picked up SFr2 to SFr1,240, and the registered stock was unchanged at SFr300. However, Mr Ebner's BK Vision fell SFr40 to SFr1,400.

Brown Boveri bearers contin-ued their comeback, picking up another SFr11 to SFr1,111 in heavy trade, after their period in the doldrums. Other cyclicals were also higher. Fischer adding SFr10 to SFr1.555, and Sulzer rising SFr6 to SFr891.

continued demand, with Berner rising SFr90 to SFr1,490 on continued speculation that Allianz, which holds a 30 per cent stake, might be planning to expand its share. Baloise added SFr45 to SFr2,845, but Elvia eased SFr20 to SFr3,600. AMSTERDAM was unable to

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Oct 7

FT-SE Eurotrack 100 1335-20 1837-06 1334-78 1334-33 1335-03 1335-61 1333-13 1333-83 FT-SE Eurotrack 200 1392-24 1394-34 1391-84 1392-37 1394-63 1393-92 1390-84 1392-70

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1330.45 1384.80

THE EUROPEAN SERIES

maintain the gains of the previous two days and the AEX index was left trailing 1.81 at VNU, which denied reports

that its television interests would be affected by new competition in the sector, dipped Fl 3.20 to Fl 176.80 Fokker, the aircraft manufacturer, slipped 20 cents to FI 15.10 after reports that Cityline, a division of Lufthansa of Germany, might replace the F-50s in its fleet. MILAN made an early attempt to rally, but the momentum was soon lost as

technical, month-end dead-

lines, and simmering political worries once again made their presence felt. The Comit index finished 2.85 ahead at 639.68. Some blue chips managed to hold on to gains. Benetton, still recovering from last week's sharp losses, rose L59 to L19,935, and Cir was L21 ahead

at L1.858. Demand was also noted for the Fiat motor components maker, Magneti Marelli, ahead plot postpon

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of its merger with Gilardini. Magneti gained L44 to L1,292. Falls were seen, however, among the telecommunications companies, with Stet losing L40 to L4.479 and Telecom Italia giving up L64 to IA,143.

STOCKHOLM featured a further strong gain in Ericsson, the B shares rising SKr2.50 to SKr417.50, after good results from Motorola in the US. However, most investors were awaiting the country's inflation data due out today. The Affärsvärlden general

index rose 10.20 to 1,425.20. HELSINKI was stronger on & expectations that Sunday's referendum will result in a yes vote for EU membership. The HEX index was up 35.32 at 1,899.04.

Written and edited by John Pitt

ruling United Malays National

Organisation (UMNO) supreme

council meeting late in the day

where the recent clash between the prime minister

and an UMNO youth leader

was expected to be discussed.

MANILA was supported by a

late round of bargain hunting

on expectations of strong cor-

porate earnings in the third

quarter. The composite index

Nikkei rises 1.4% to end above 20,000 level

Tokyo

Buying by arbitrageurs and overseas investors lifted prices, and the Nikkei 225 average gained for the third consecutive day, rising above the 20,000 level for the first time in a month, writes Emiko Tera-

zono in Tokuo. The index advanced 268.26, or 1.4 per cent, to 20,089.72 after a day's low of 19,846.77 and high of 20,115.22. Arbitrage buying and purchases of blue chip shares by foreigners countered selling by financial institutions and investment

Volume totalled 230m shares, against 199.3m. The Topix index of all first section stocks rose 16.76, or 1.1 per cent, to 1,600.60 and the Nikkei 300 added 2.96, or 1 per cent, at 293.22. Advances led declines by 812 to 193, with 159 issues unchanged. But in London the ISE/Nikkei 50 index dipped 1.80

Improving economics, the irrency movement and the approach of the final leg of the Japan Tobacco fiasco is encouraging investors," said Mr Tom Hill, strategist at

S.G. Warburg. He added that although around 70 per cent of prospective buyers in Japan Tobacco were expected to have given up their purchase rights, this reflected the inadequacy of the new issues system and not the stock market's current level.

Traders also said fears of over-supply from the JT listing had been alleviated by reports that the Ministry of Finance would refrain from offering unsold shares from the second round of subscriptions on the market at the time of the stock

Japan Telecom, the telecommunications operator, rose Y100,000 to Y3.99m, while DDI moved up Y45,000 to Y933,000. recovering the Y900,000 mark for the first time in a month. Mitsubishi Bank, which will be taking a majority stake in

Nippon Trust Bank, a financially troubled trust bank, climbed Y70 to Y2,620. Overseas investors bought chemical and steel shares. NKK, the most active issue of

the day, firmed Y3 to Y290,

vhile	Mits	ubish	i Cł	em:	ical
		at Y56			
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Roundup

Strength overnight on Wall Street helped many of the region's markets to advance. TAIPEI ended sharply higher on hopes that the government would take action to prevent a

further fall in the market, which has been rocked by default payments over the past week. The weighted index rallied 371.07, or 6 per cent, to 6,495.78 in T\$87.66bn turnover. Hualon was the most active issue and rose by the daily per-

mitted 7 per cent limit to T\$19.90, but Taiwan Tea. a subsidiary, fell T\$2.50 to T\$63.

cent up but off the day's highs following a late surge in afternoon trade on buying of Chinarelated stocks and Hong Kong Telecom on expectations that the group would announce a China venture along with Cable and Wireless later in the

day.
The Hang Seng index added 170.03 at 9,532.35 after an intraday peak of 9,549.22. Hongkong Telecom put on 85 cents, or 5.5 per cent, at HK\$16.25. The H-share index of Chinese stocks listed in Hong Kong rose 61.95, or 4.7 per cent, to

In the opposite direction, Ming Pao, publisher of one of Hong Kong's best read upmarket newspapers, fell 5.5 per cent after a two-day suspension prompted by revelations that Mr Yu Pun-hoi, the chairman, had a criminal

record. The stock lost 30 cents awaiting the outcome of the at HK\$5.20, after HK\$5. SEOUL finished at a second consecutive record high as

blue chips rebounded strongly. overcoming selective profittaking. The composite index rose 11.00 to 1,089.66, responding to comments by the finance minister that rules for foreigners' stock investment would be eased from next year. SINGAPORE extended Tuesday's rebound as investors were cheered by Wall Street's sharp rise and receding fears of

a Gulf war. The Straits Times Industrial index moved forward 23.08 to 2,368.31. KUALA LUMPUR continued to rally on technical buying, fuelled by the overnight Wall Street surge, and the composite index improved 8.71 to 1,137.00. However, volume was lim-

market. The NZSE-40 capital

gained 23.51 at 2,970.46. SYDNEY drifted lower, show ing little response to the overnight Wall Street rise. The All Ordinaries index eased 1.0 to 2,002.6 in turnover of A\$408.7m. WELLINGTON was led higher by Telecom, up 13 cents at NZ\$5.35, and leading forestry stocks which were helped by a strong US lumber futures

Property.

BZW Structured Finance was lead arranger to the Beople's Construction Bank of China and Post and Telecommunication Administrations of China'in the US\$300 million Italian buyer chedit related to Lelecommunications projects to be implemented by

BZW Structured Finance flaty.

Co-Arrangers and Co-Lear Managers
Societé Générale Monte dei Paschi di Siena

ABN AMRO Bank N.V.

Barcings Bank PLC Société Gégérale Monte del Pascht di Steina
ABM AMBO Bank NM
Banque Nationale de Paris
Banque Indoséez SA IKB Degische industriebank AG

Agent-Bahk Barclays Bank PLO

September 1984

NATIONAL AND REGIONAL MARKETS Floures in parentheses	US	Dav's	TUES	DAY OCT	OBER 1	1994 Local	Local	Gress	US	MONDAY Pound	OCTOBE	R 10 1994	Local	DQ	LLAR IN	
show number at lines	Dollar	Change	Sterling	Yen	DM	Currency		Div.	Dollar	Sterano	Yen	DМ	Crimency	59 wash	طعمت 89	Year
stock	Index	96	Index	Index	Index	Index	on day	Yield	Index	index	Index	index	Index	High	Low	ago (approx
ustraila (68)	168.24	0.5	157.72	106.70	135.28	151.96	0.6	3.65	187.35	156.51	106.45	134.86	150.70	189.15	149.36	152.3
ıstna (16),	182.23	0.3	170 82	115.58	146.52	146.51	0.1	1.10	181.67	169.90	115.58	146.39	146.33	198.83	167,46	180.7
elgium ;371 _ ,	164.27	1.0	154,00	104.18	132,08	129.03	0.9	4.27	162.59	152.06	103,42	131.02	127.83	177.04	149.53	153.1
mada (103)		0.7	129.07	87.31	110.70	133.68	0.5	2.51	136.67	127.81	86.93	110.13	133.23	145.31	120.54	124.7
enmark (33)		0.8	232.30	157 15	199.25	204.23	0.8	1,45	245.85	229.92	156.38	198.11	202.71	275.79	230.27	236.7
nland (24)	179.77	1.6	168.52	114.00	144.55	180.06	1.8	0.78	176.86	165.40	112.50	142.51	176.93	182.38	116.85	119.5
ance (101)	167.85	1.1	157,35	106.45	134.96	139.26	1.0	3.12	165,99	155.23	105.58	133.75	137,87	185.37	159.34	171.6
еппалу (56)	141.48	23	132.63	89.73	113.76	113.76	2.1	1.81	138.32	129.36	87.99	111.46	111.46	150.40	128.37	136.0
ong Kong (56)	382.58	1,1	358.63	242.61	307.61	379.59	1.1	3.21	378.32	353.82	240.65	304,67	375.38	506.56	325.73	325.7
tand (14)	205.27	1.6	192,43	130.17	165.05	185.05	1.7	3.46	202.13	189.03	128.57	762.88	181.99	218.60	171.40	173.5
uy (59)	78.15	-0.9	73.26	49.56	62,84	91.99	-1.0	1.68	78.90	73.79	50.19	63.58	92.89	97.78	57.88	71.9
pan (466)	158 51	07	148.59	100 52	127,45	100.52	0.4	0.76	157,44	147.24	100.15	128.87	100.15	170.10	124.54	155,1
য_න (97)	556.61	1.8	521.79	352.99	447.56	551.25	1.9	1.52	546,91	511.48	347.89	440.72	540,80	621.63	430,71	450.9
euco (18)	2176.74	-1.2	2040 55	1380.42	1750.22	8126,29	-1.1	1.26	2203.17	2060.43	1401,42	1775,37	8220,14		1686.79	
rinerland (19)		1.4	199.35	134.86	170.99	168.09	1.2	3.44	209.64	196.06	133.35	188.94	166.05	218.19	187.01	192.0
ew Zooland (14)		1.9	67.12	45.41	57.57	62.81	2.0	3.87	70.23	65,68	44,67	56.59	81,60	77.59	59.22	62.3
Musy (25)		0.6	184,94	125.11	158.62	180.36	0.6	1.83	196.07	183.36	124.72	157.99	179.29	211.74	165.52	181.0
ngapore (44)		2.2	361.86	244.80	310.38	263.93	2.2	1.60	377.54	353.09	240.16	304.24	258.28	393.12	294.66	313.0
outh Ainca (59)		0.9	296.71	200.72	254.49	282.25	-1.5	2.27	313.82			252.88	286.50	318.51	202.72	214.6
alin (38)		0.6	130.00	87.94	111.50	134,74	0.5			293.48	199.62					
veden (36)		1.8	210.39					4.11	137.92	128.98	87.73	111,14	134,14	155.79	128.88	141.8
		0.3	154.12	142.32	180.45	246.16	2.0	1.63	220.42	206.14	140.21	177.62	241.25	231.35	175.83	199.4
etzerland (47)				104.26	132.19	131.25	80	1.85	163.90	153 28	104.26	132.08	130.45	178.56	143.64	145.8
nded Ningdom (204)		1.0	185.17	125.27	159,83	185,17	1.3	4,11	195.50	182.53	124.36	157.54	182,83	214.96	181.11	192.97
\$A (515)	190.08	1.5	178.19	120.54	152.84	190 08	1.5	2.85	187 32	175.19	119.16	150.95	187.32	196.04	176.95	188.2
JRGPE (709)		1.1	159,38	107.82	136.70	150,08	1.1	3.09	168.20	157.31	106.99	135.54	148,40	178.58	154,79	162.6
rdc (116)		1.5	204.13	138 09	175.08	203.90	1.6	1,45	214.57	200.67	136.49	172.90	200,67	222.1B	173,19	188.6
icific Basin (747)	168.02	0.8	157.51	106 56	135.10	111,24	0.5	1 09	166.74	155.34	106,06	134.37	110,65	176.86	134,79	161.2
ro-Pocific (14 56),	158.74	0.9	158.19	107.01	135.68	126,85	0.8	1.94	167.24	156 40	106.38	134.76	125.86	175.14	143.88	161.8
with America (618)	186.63	1,4	175,14	118,48	150.22	186,20	1.4	284	184.17	172 24	117.15	148.41	183.57	192.73	175.67	184.3
rope Ev. Uk (505)	151.63	1.1	142.14	96.16	121.92	129,45	1.1	2.49	149.98	140.26	95.40	120.86	128.11	158.12	135.94	143.1
erific Ex. Japan (279)		1.3	243.96	165.03	209.26	232,05	1,4	2.80	257.00	240.35	163,48	207,10	228.91	296.21	220.63	220.6
orld Ex. US (1636)		0.9	160.00	108.24	137.23	130,52	0.7	1.95	169.21	158.24	107.63	136,35	129.60	176.65	145.58	161.9
ond Ev. UN (1947)		1.1	163.12	110.35	139.91	145.23	0.9	2 08	172.14	160.98	109.50	138.71	143,67	178.59	155.96	167.4
orld Ex. So. Al. (2092)		1.1	164.22	111.10	140.86	147.88	1.0	2.27	173.31	162.08	110.24	139.65	146.40	180.03	158.54	169.5
orld Ex. Japan (1683)		1.2	175.68	118 85	150.69	177.21	12	2.90	185.10	173.10	117.74	149.16	175.06	195.20	176.34	179,40
		_														
e World Index (2157)	176.08	1.1	165.07	111.67	141.58	148.68	1.0	2.27	174 20	163 93	110 91	14N 3R	147 49	180.80	158.85	169.7

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